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GRANTS IN AID :
A CRITICISM AND A PROPOSAL

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GRANTS IN AID : A
CRITICISM AND A
PROPOSAL
BY SIDNEY WEBB

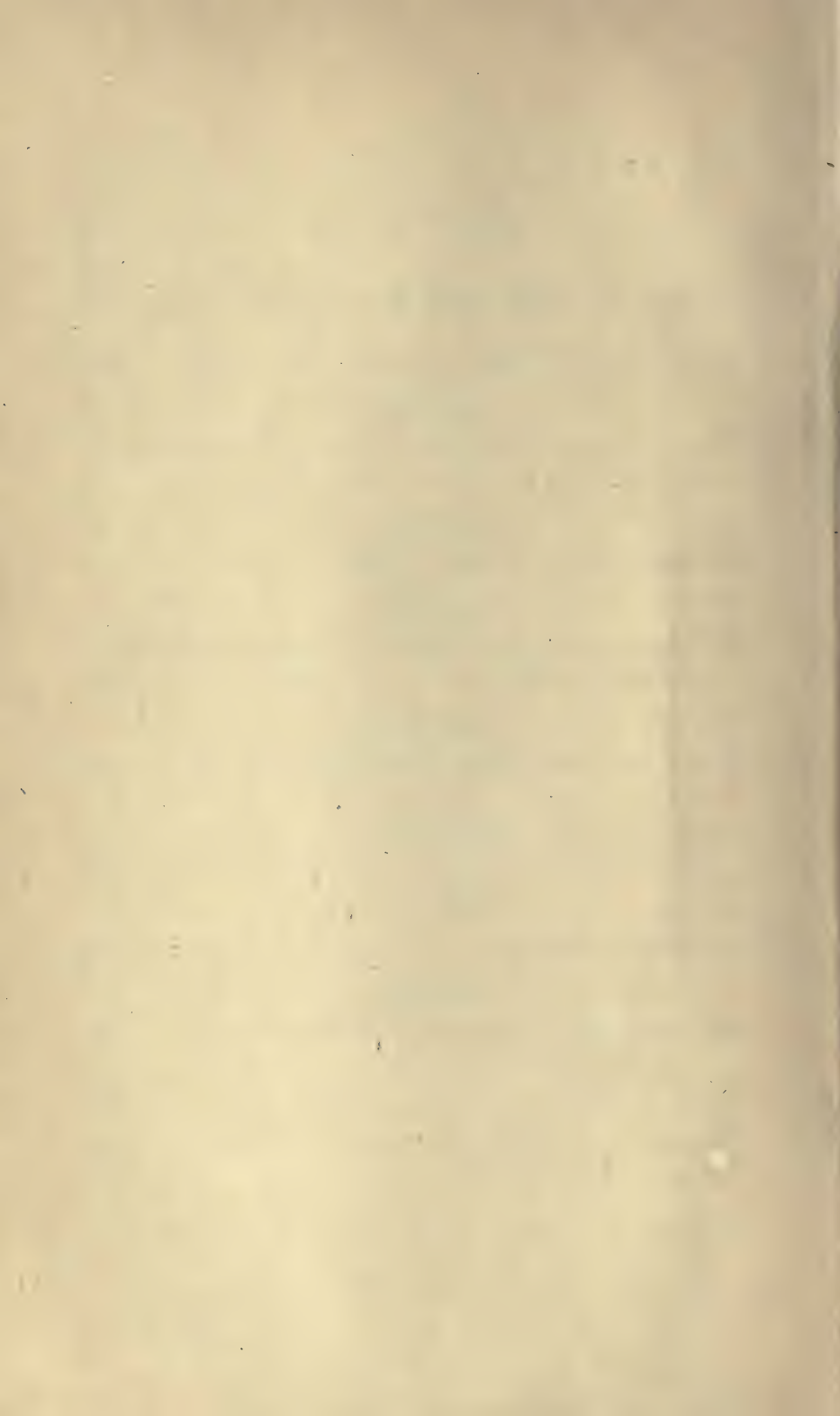
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CONTENTS

	PAGE
PREFACE TO NEW EDITION - - - - -	vii
ORIGINAL PREFACE - - - - -	viii
CHAPTER I	
WHAT OUR GRANTS IN AID SEEM TO BE AND WHAT THEY REALLY ARE - - - - -	I
CHAPTER II	
WHY HAVE GRANTS IN AID AT ALL? - - - - -	9
CHAPTER III	
HOW WE NOW DISTRIBUTE SIXTY-FIVE MILLIONS A YEAR IN GRANTS IN AID - - - - -	27
CHAPTER IV	
THE GRANTS IN AID OF THE POOR LAW AUTHORITIES - - -	40
CHAPTER V	
THE GRANTS IN AID OF THE LOCAL EDUCATION AUTHORITIES	68
CHAPTER VI	
THE LINES OF REFORM - - - - -	83
CHAPTER VII	
"MARKING TIME" AMID INCREASING EXIGENCY - - -	119
BIBLIOGRAPHY - - - - -	121
INDEX - - - - -	141



PREFACE TO NEW EDITION

IN the nine years that have elapsed since the first edition of this book, the question of Grants in Aid has practically stood still. Whilst the total expenditure of the Local Authorities, and also the expenditure of nearly every one among them, has greatly increased, nothing has been done to redress the grievances and remove the anomalies that were, in 1911, having such injurious effects on the efficiency and economy of Local Government. The urgency of reform was admitted. In 1914, the Government, it is understood, was on the point of proposing to Parliament a considerable extension and development of the system of Grants in Aid, notably in connection with the Public Health as well as the Education services, in which many of the evils described in this little volume would have been dealt with, essentially on the lines herein laid down. The outbreak of the Great War compelled the laying aside of all internal reforms.

In the six years that have elapsed the difficulties of Local Authorities have increased, the inequalities have become even greater, and the discontent has grown. Partial reform has been effected by the enlargement and consolidation of some of the grants for Education, in view of the greatly increased provision which has now to be made ; but the question has not been dealt with as a whole.

It is submitted that reform has become a pressing necessity. It is high time that the Local Authorities themselves revolted, and put such pressure on the Treasury and on the Chancellor of the Exchequer as to compel them to do their duty.

SIDNEY WEBB.

September, 1920.

ORIGINAL PREFACE

WHEN, in June, 1910, I contributed a Preface to Dr. Watson Grice's historical survey of *National and Local Finance*, I did not expect to be asked to supplement that useful work by anything like a volume of my own. But the administrative problems connected with Grants in Aid are so important, and the subject is one of such pressing interest at this moment, that I could not do otherwise than respond to innumerable inquiries that amounted, in the aggregate, to a demand.

This is, it seems, the first book to appear in the form of a treatise on Grants in Aid. Written, as it has been, under the pressure of other duties, the author has not scrupled to reclaim and incorporate, amid that which now appears for the first time, his previous scattered contributions to the subject ; and to use them, where they fitted, as bricks in this more systematic edifice. And thus, if the diligent reader is sometimes haunted as by an echo, let him not impatiently conclude that the whole book is echo ; and let him remember that, when a thing has been said once, it is not altogether impertinent, if there be need, for it to be said again, and said in volume form !

The extensive bibliographical list of references to the subject, included in this volume, I owe almost entirely to Dr. Watson Grice, who kindly placed it at my disposal ; and to Mr. B. M. Headicar, the Librarian of the British Library of Political Science, in connection with the London School of Economics, where practically all the sources mentioned are accessible to any serious student.

SIDNEY WEBB.

London.

May, 1911.

GRANTS IN AID: A CRITICISM AND A PROPOSAL

I

WHAT OUR GRANTS IN AID SEEM TO BE, AND WHAT THEY REALLY ARE

THE "Grant in Aid," a device peculiar to English administration, has failed to receive the consideration that its practical importance deserves. Until 1910, when Dr. Watson Grice painstakingly worked out the history, with all the Continental analogies that are available,¹ there was, I believe, no book which gave any considerable amount of information on the subject. So far as I know, the Grant in Aid, as an instrument of government, has, except in so far as that volume dealt with this aspect of the subject, never been made the subject of a scientific monograph. In the various works describing the constitution under which we live, the Grant in Aid either finds no mention at all, or else is briefly referred to as merely a matter of financial adjustment. Even in the wilderness of blue books, though masses of unco-ordinated facts have been revealed,² it is difficult to find any com-

¹ *National and Local Finance*, by J. Watson Grice, D.Sc. (Econ.), 1910.

² See especially Mr. Goschen's Report to the Poor Law Board on the progressive increase in Local Taxation, H.C. No. 470 of 1870, reprinted as H.C. No. 201 of 1893; Cd. 5344 of 1888; Mr. Fowler's Report on Local Taxation (H.C. No. 168 of 1893); Sir Edward Hamilton's Memorandum on Imperial and Local Taxation in Cd. 9528, 1899, and the official documents cited therein; Final Report of Royal Commission on Local Taxation (England and Wales), Cd. 638 of 1901, in which the separate statesmanlike Memorandum of Lord Balfour of Burleigh, concurred in by two successive Permanent Secretaries to the Treasury, Sir George Murray and (the late) Sir Edward Hamilton, is the best thing that has been done on the subject; see also final Report of the same Commission for Scotland, Cd. 1067, 1902, and for Ireland, Cd. 1068, 1902; the Reports of the Departmental Committee on Local Taxation, 1912-14, Cd. 7315; and the Bibliography at the end of this volume.

plete and comprehensible account of all the existing Grants in Aid, whilst of their actual working in the various branches of public administration there is practically no information at all. Those politicians who seek to deal with the subject usually submerge the Grant in Aid in the Serbonian bog of the "incidence of Local Taxation," or lose it amid the quicksands of "relief to the ratepayers." To harassed Civil Servants, on the one hand, and Local Government officials, on the other, the Grant in Aid means, too often, only a series of more or less successful inroads on the Exchequer. Of its importance as an instrument of government, apart from financial results, there is seldom any consideration.

Yet if, at the beginning of the third decade of the twentieth century, we survey the whole field of government in the United Kingdom—if we examine, one by one, the different branches of public administration for the initiation and control of which Parliament exists, and for the maintenance of which we pay our rates and taxes—we shall find that, so far as they are entrusted to our local governing bodies and disregarding particular cases, they vary in efficiency according to the extent to which use has been intelligently made of the Grant in Aid. In fact, judged by actual day-by-day results, the Grant in Aid, whether we like it or not, has become a governmental instrument of extraordinary potency for good or ill, of greater actual importance in the lives of the people than parts of the Constitution to which more attention is directed. Whether a given Act of Parliament actually "works" (like the Act of 1856 establishing the County Constabulary) or (like the much-vaunted Children Act of 1908) remains, so far as the great part of the kingdom is concerned, virtually a dead letter, is found in practice to depend much less on what particular phraseology the Cabinet and the House of Commons decide upon, or on what the House of Lords may have done to it by way of amendment, than on what arrangement has been made to connect its operation with the system of Grants in Aid. Whether any new branch of the Local Government service hardens into a stagnant bureaucracy,

smothered in red tape and rendering the very minimum of utility to the community ; or blossoms and develops into an ever-improving, ubiquitously-serving agency for really accomplishing the object for which it was established,¹ depends very largely on the particular conditions upon which its Grant in Aid is made. In short, if we seek to estimate the real as distinguished from the nominal Constitution of the United Kingdom of the present day—if we have regard to the actualities of administration rather than to the items of pageantry—we may come to the unexpected conclusion that the Grant in Aid, mere financial adjustment though it seems to be, is more and more becoming the pivot on which the machine really works.

The Grant in Aid, as we see it to-day, is commonly regarded as an incidental consequence of Local Government. In view of the fact that, in the complicated hierarchy by which English administration is conducted, the Local Authorities were first in the field, we might more correctly describe it as a result of the development of Central Government. Down to the latter part of the eighteenth century, when the Post Office began to expand with the growth of trade and intercommunication, the Customs and Excise services to develop, and the military and naval establishments to grow apace, nearly all the public administration that existed was in the hands of the Parish, the County Justices in Quarter Sessions assembled, and the Municipal Corporations.² And the Central Government let them alone. Right down to 1832 there was practically no systematic connection between the uncounted Local Authorities and the Central Government. Each Parish, each Quarter Sessions, each Corporation was, within its own sphere, autonomous ; and was as independent of national control, and expected as little from the Exchequer, as the social clubs of tradesmen that gathered

¹ For an examination of what is, essentially, the function of Local Government, see *A Constitution for the Socialist Commonwealth of Great Britain*, by Sidney and Beatrice Webb, 1920.

² This has been described in *English Local Government*, by S. and B. Webb ; Vol. I, The Parish and the County, Vols. II and III, The Manor and the Borough. See also *The Story of the King's Highway*, by the same.

in the taverns of the time. Nor did any scheme of executive control, or plan of financial aid, enter into the conception of the framers of the Municipal Corporations Act of 1835, upon which, by successive derivations, the whole of our present local government is founded. We can now see that, at this point, England stood at the parting of the ways.

If we look over the world of highly developed nations to-day, we may recognize three main types of relation between local and central government.¹ In France and Germany, Belgium and Austria, and generally throughout the Continent of Europe, we find the local administration entrusted, in the main, to salaried officials, often of special training and high professional qualifications, who are sometimes actually appointed by, and whose work is, at any rate, closely supervised by, and completely subordinate to, the various central departments of the Executive Government. There are, it is true, sometimes local councils of various grades and formed in various ways, by which the consent of the inhabitants of the several localities is more or less adequately expressed, and some more or less imperfect degree of local control is secured. But the functions and powers of these local councils are narrowly limited; and their actual interferences with the day-by-day administration are, in almost all cases, subject to the control and approval of the Central Executive departments. This particular relation between central and local government (which Japan seems to be more and more developing) may be conveniently termed the *Bureaucratic System*.

At the other extreme stands the organization of local government in the United States, where the cities and townships are, broadly speaking, autonomous corporations, not in the least subordinate to the State or Federal Executive departments, and standing even to the legislatures in no more intimate or subordinate a relation than the Government departments themselves. There is, accord-

¹ *National and Local Finance*, by J. Watson Grice, D.Sc. (Econ.), 1910; *Local and Central Government*, by Percy Ashley, M.A., 1906; *Comparative Administrative Law*, by Frank J. Goodnow, 1893.

ingly, in such a country, nothing in the nature of an administrative hierarchy, and nothing in the nature of a national system, whether in education, sanitation, collective provision for the dependent classes, or means of communication. This, which has its merits, as well as its characteristic drawbacks, may be termed the Anarchy of Local Autonomy. It seems to have been partially adopted by Canada. It has been said, with some exaggeration, but with more truth than patriotic Americans usually realize, to have given the United States, at least in many great areas,¹ the worst local government of any country claiming to be civilized.

In the United Kingdom we have, by characteristic good luck, stumbled on a third arrangement.² Between 1590 and 1640 we bade fair to develop an organized national system, in which the Lords of the Council, the Judges of Assize, the Justices of the Peace, and such corporate unities as the Parish and the Borough would all have their places.³ When this (with much else) got knocked on the head in 1642-9, there remained only an Anarchy of Local Autonomy, lasting from 1660 to 1832, which was strictly comparable with much in the United States of to-day. Gradually, however, it was perceived, in the course of the nineteenth century, that it was desirable that there should be, at any rate, some independent audit of local government accounts, and that some external approval should be required before the members of a local governing body were permitted, not merely to spend the rates paid by those who elected the council-

¹ It should be stated that, during the past two decades, there have been several tentative steps taken in the United States in the direction of an administration based on Grants in Aid from the Federal Government to the State Governments, and, to some slight extent, in certain States, also from the State Governments to the Local Authorities. Apart from the earlier form of grants of public lands in aid of the State administration of particular services, various recent appropriations in aid of roads, the treatment of influenza and venereal disease, and certain special types of educational institutions, which are at least nominally dependent on compliance with departmental requirements as to the efficiency of the service, appear to be unavowed and probably unconscious adaptations of the characteristic British Grant in Aid.

² *Cambridge Modern History*, Vol. XII, ch. xxii (Social Movements); separately published by the Fabian Society as *Towards Social Democracy?* 1916.

³ See *The Early History of English Poor Relief*, by E. M. Leonard, 1900.

lors, but also to embark on enterprises mortgaging the future. Presently it was realized that the government of a town was not merely a matter of interest to the inhabitants of that particular town, but that, whether in respect of roads and bridges or of infectious diseases, whether in the health or in the education of its citizens, the nation as a whole had something at stake. John Stuart Mill drew pointed attention to the fact that the central executive departments could hardly fail to have at their command a wider experience and a greater knowledge than any local body could possess.¹ This, however, did not mean that we began to adopt what I have termed the Bureaucratic System. What we had to find was some way of securing national inspection and audit, and the amount of national supervision and control that was required in the interest of the community as a whole, without offending the susceptibilities of local autonomy, and without losing the very real advantage of local initiative and local freedom to experiment. Without theory, without science, and, indeed, almost without the notice of political students, a solution has been found in the device of the Grant in Aid. The National Government, in the course of the three-quarters of a century from 1832 successively "bought" the rights of inspection, audit, supervision, initiative, criticism, and control, in respect of one local service after another, and of one kind of local governing body after another, by the grant of annual subventions from the national Exchequer in aid of the local finances, and therefore, in relief of the local ratepayer. By the unself-conscious invention of Grants in Aid, we have, in the United Kingdom, devised a new kind of relation between local and central government, and created a new species of administrative hierarchy, which has attributes of its own, and which, with our particular kind of Local Government, produces results, in a remarkable combination of liberty and efficiency, on the whole preferable to the achievements of either the Bureaucratic System of France and Germany or the American Anarchy of Local Autonomy.

¹ *Representative Government*, by John Stuart Mill, 1861.

By a "Grant in Aid," the English administrator understands a subvention payable from the Exchequer of the United Kingdom to a Local Governing Authority, in order to assist that Authority in execution of some or all of its statutory duties. The subvention may be an isolated payment, but is usually recurrent or annual. It may be a matter of statutory obligation or dependent on the recurring decision of the Minister in charge of a particular department. It may be unconditionally of fixed amount, or variable according to the circumstances of the time. Most important of all, its variable amount may be dependent on the growth of population, or of a particular section of it, on the amount of some particular service, on the number of officers appointed, or the sum of their salaries, on the expenditure of the receiving Authority, on the rateable value of its district, on the efficiency of its work, or on some other condition. And according to the conditions and stipulations that are attached to the Grant in Aid, so will be, whether or not we like it or foresee it, its effect on public administration.

So little have these facts been realized by those who have devised our financial subventions, that we find existing to-day all sorts of Grants in Aid, for all sorts of subjects, allotted to the Local Authorities in all sorts of differing proportions and under all sorts of conditions, which very often tend to counteract and nullify each other. The whole field is a chaos which practically no one understands—certainly no ordinary member of a Local Authority. I have neither space nor patience to set forth even a tithe of the complications and absurdities that have grown up, though a considerable number of specimens will be found in the subsequent pages.

The whole development of these Grants in Aid has taken place since 1832; the effective beginning was perhaps made in 1846; but most of the growth occurred after 1874¹; and the really startling increases after 1900. No pretence at a history can here be given, but some

¹ The facts will be found in Sir Edward Hamilton's Memorandum on Imperial and Local Taxation, in Cd. 9528 of 1899; or in *National and Local Finance*, by J. Watson Grice, D.Sc. (Econ.), 1910.

estimates of the amounts in different decades may conveniently be afforded. In 1830 the total payments from the National Exchequer to such Local Authorities as then existed, which were mostly odds and ends of historical survivals, seem to have been insignificant, in fact considerably under a hundred thousand pounds. Even in 1840 I do not think such payments (including Scotland and Ireland, and the Education Grant) reached half a million. By 1850, after Sir Robert Peel's concessions in 1846 had been carried into law, they appear to have grown to three-quarters of a million, and by 1860 to over a million. In 1870 I gather that the total may have been nearing two millions. By 1880, at the close of the Conservative Administration, the amount, for the United Kingdom approached what was then thought the colossal sum of five millions. Within the next ten years, after the Goschen readjustments, the aggregate had, in 1890, reached no less than twelve millions. By 1900 it exceeded sixteen millions; in 1911-12 it came near to thirty millions; and in the current year, 1920-21, I make out that the total for the United Kingdom, including all kinds of local subventions, cannot be much less than sixty-five millions sterling. And the end is not yet. The Chancellor of the Exchequer is definitely committed to a considerable increase in these subventions for one service or another, whilst on all sides there arise new demands. It does not seem extravagant to predict that by 1930, the Chancellor of the Exchequer of the day will find himself paying away to the Local Authorities one hundred millions sterling, being as much as the entire revenue of the Exchequer less than a generation ago.

II

WHY HAVE GRANTS IN AID AT ALL?

At this point we may conveniently consider why any such diversion of funds from the central Exchequer to Local Authorities should take place. The question cannot fail to arise, Why have Grants in Aid at all? To the practical politician the inquiry will seem a useless one, for no Government will ever venture to abolish a system which, a decade ago, reduced the rates, on an average, by half a crown in the £; and now probably keeps them lower than they would otherwise be by five shillings in the £! A sudden rise in the local rates all over the kingdom by such an amount would upset the strongest administration. But the inquiry is worth pursuing, if only because the whole system of subventions from the Exchequer is on all sides frequently misunderstood. The Local Authorities demanding the Grants, and the complacent Ministers according them, are apt to regard them merely as "doles" in relief of local burdens. To old-fashioned Radicals they often seem to represent attempts on the part of rent receivers to escape from the hereditary burdens on private property in land—in fact, nothing but successful depredations by the land-owning class on the payers of customs and excise duties. The farmers and country gentlemen do their best to encourage this view by clamouring for additional grants merely in relief of their own local rates. To Gladstone—who never to the end of his days realized either the importance of local government or the superiority, in social value, of administration over House of Commons "politics"—all the grants were alike "doles," mere vexation of spirit, raids on the

Exchequer by the agricultural interest, a wanton encouragement of "extravagance" (by which term, extraordinary as it must seem to the economist or to the modern statesman, he meant merely any increase of expenditure by public authorities).¹

The argument of the "country party" for Grants in Aid may be more plausibly put in the contention² that the subvention from the National Exchequer represents a contribution from personal property and industrial incomes towards the cost of local government, which would otherwise have to be borne entirely by the local rates on land and houses, and therefore, it is assumed, indirectly, and in the long run, by the owners of the rentals of this real estate. Historically, of course, this was how the main cost of local government used to be borne. But the aggregate cost of local government has enormously increased; and it is urged that the increase represents a new burden which it is unfair to cast wholly upon the recipients of agricultural rent, who, it is alleged, or at any rate assumed, find their incomes dwindling with every new development of local administration.

We need not inquire whether this argument has ever been made out to the satisfaction of economists and statisticians. As a defence of Grants in Aid it is weakened by being based, usually, on what is really a misunderstanding of the statistics. Paradoxical as it may seem, there was, in the course of the nineteenth century—comparing 1900 with 1800—no aggregate increase in the burdens on agricultural land. The great increase in the cost of local administration, due to the addition of new services, took place, in this period, almost entirely in the towns, not in the rural districts; and in the towns, which had practically all grown in size in the course of the century, though not, of course, to anything like the same

¹ Lord Farrer seems loyally to have upheld this view to the end of his days; see his work, *Mr. Goschen's Finance*, 1887-90 (1891), and his lengthy Memorandum in Cd. 9528 of 1899, pp. 66-84.

² This will be found running through all the Parliamentary debates on Local Taxation from 1834 downwards, notably in the speeches of Disraeli, Sir Massey Lopes, Albert Pell, and Lord St. Aldwyn; and it finds expression in the Final (Majority) Report of the Royal Commission on Local Taxation, Cd. 638 of 1901.

extent, the economist may not unreasonably regard this increased charge as nothing more than a partial recoupment of a practically universal "unearned increment" of land values. It is perfectly true that London and Liverpool, Glasgow and Grimsby, West Ham and West Hartlepool were spending much more on their local administration at the beginning of the twentieth century than they were at the beginning of the nineteenth century. But it has been very largely as the result of this expenditure that the rental value of these towns has risen by leaps and bounds. It is not merely a question of the execution of drainage works and street improvements, which definitely raise the rental value of the local real estate. The landlords who own the sites of these towns—though they may believe their rentals to be diminished by the modern high rates—are, in fact, receiving, net, much more rent from the same sites than ever they or their ancestors did, not merely by reason of the execution, out of the rates, of "structural improvements" of the town sites, but also by all the other expenditure *without which there would not have assembled so large a population on these sites*. Thus, the expenditure on police and sanitation, schools and hospitals, town halls and libraries, parks and museums, though they cannot be shown directly to increase the value of any particular property, are co-incident with a very real increase in the value of the real estate which must be purchased or rented by the population using these local advantages. Without the amenities of local government so large a population could not possibly have gathered on that town site or so large an increase of rental value have been created. Accordingly, the weakness of using the argument of an increase in local burdens as a ground for Grants in Aid is that it is apt to be met by inquiring whether it is really unfair that the ever-growing revenues from urban ground rents of the Duke of Devonshire should (if they do) indirectly bear the expense of paving, cleansing, lighting, sewerage, educating, and doctoring Barrow and Eastbourne; or that the growing cost of governing Cardiff should intercept (if it does) a part of the constantly increasing rentals of the Marquis of

Bute and the Earl of Plymouth ; or that the 30,000 owners of the hundred and twenty square miles of London, whose net rental is certainly ten times what it was a hundred years ago, should get in that century only a tenfold increase in their incomes, instead of the twentyfold increase which might have been the result if the whole cost of the Metropolitan services had been borne by a tribute levied, say, on India, and if all London (like a few favoured spots in it) had in consequence been made, by statute, for ever rate-free ?

In the rural districts of England, it is an astonishing fact—quite incredible to the present generation of farmers and country gentlemen—that the total cost of local administration has often not risen at all, compared to the state of things prior to 1832. What, they say, with all the expensive fads about education, sanitation, and the rest of it ? They forget that, in many a country district of South England especially, the net cost of all the new services is more than covered by the total disappearance of the Church Rate,¹ and (what is financially more important) by the enormous decrease in the Poor Rate. Certainly, over a great part of rural England the total rates represent a much smaller proportion of the contemporary rental value than they did in 1832. In 1803 the average rates throughout the then almost entirely rural county of Sussex were 8s. 7½d. in the £ ; and the average throughout the equally rural county of Monmouth was 7s. 11¼d. in the £. These were not even the most highly rated counties. Throughout all Carmarthenshire the average rate was 12s. 9d. in the £ ; and throughout all Pembrokeshire it was

¹ The Church Rate was the rate made in church by the inhabitants there in vestry assembled, not a rate for the church. More ancient than the Poor Rate, and unfettered by statutory restrictions, it furnished the income from which the expenses of the churchwardens and the vestry, as the local governing authority of the parish, were met. Among these expenses was the cost of maintaining the fabric of the church and the churchyard, and the incidental outlays connected with the church services. Growing popular opposition to these latter items, which had unfortunately been held to be obligatory, led in the middle half of the nineteenth century, not to their elimination, but, by a misunderstanding of the nature and history of the Church Rate, to its discontinuance and eventual statutory abolition. (See *History of Local Rates in England*, by Professor E. Cannan, 1896 ; *The Parish and the County*, by S. and B. Webb, 1907.)

11s. 8½d. in the £. Even in 1826-7 all the land in Sussex was bearing a burden, on an average, of rates at 6s. 11½d. in the £; all the land in Bedfordshire one of 6s. 2d. in the £; all the land in Kent one of 5s. 8½d. in the £; and all the land in Buckinghamshire one of 5s. 5d. in the £; being twice as much as at the close of the nineteenth century.¹ These averages conceal, it need hardly be said, the extreme cases, in which the Poor, Church, and Highway Rates in particular parishes habitually exceeded ten or twelve shillings in the pound. There is no getting over the official conclusion in 1893 "that at no period in the present century, for which statistics are available for the purposes of comparison, has the rate in the pound of the rural rates been so low as it was in 1890 and 1891 in the great majority of the counties of England and Wales; and that the counties in which the fall in the rate in the pound has been the greatest have, generally speaking, been the agricultural counties."²

Nor is it merely in the rate in the pound which is, *in the rural districts*, nearly everywhere lower than it was in 1803 or in 1826-7, when the Parish Overseer had not infrequently to levy rates of 5s. in the £, *three or four times a year*. Even taking into account the more accurate assessments that now prevail, it is on record that, in many a parish, the farmer of 1800-1832 habitually paid more to the Parish Overseer than he did to his landlord and tithe owner; a position in which, I suppose, very few English farmers stand to-day. In short, even in the rural districts, the share of the contemporary annual rental value that reaches the landlord has, to say the least of it, over a large part of England, not become any smaller in the course of the past hundred years; and in most places it is, even in purely agricultural districts, greater than it was in 1832. It is, indeed, not only actually greater in amount, but also, usually, a greater proportion of the total. The economist may well conclude that the case for the shifting of what is no more than the hereditary burden on private landownership has not been made out. The mere fact that a large

¹ See the exact figures given in H.C. No. 168 of 1893, p. xxxiv.

² H.C. No. 168 of 1893, p. xxxv.

part of what used to be spent on the relief of the poor is now spent on schools and roads does not appear to entitle the landlord to any remission of the part of the economic rent which he has from time immemorial rendered to the community, and which, as a matter of fact, over a large part of England, now both amounts to a smaller sum and represents proportionately a smaller burden than was borne by his estate in 1832.

Whether there is any ground, apart from the natural objection to be taxed, for asking that the recipient of a large income not derived from land, or the mere average citizen who owns no land and may not even be a rate-payer in his own person, should be forced to contribute directly towards the cost of the local government that he enjoys, is a more complicated issue. In these matters, it is necessary to regard all the taxation of the nation as a whole. There can be no sound reason for trying to make every grade of citizens, and the possession of every kind of property, contribute in exactly their due proportion to every separate item of public expenditure. Equitable taxation is so difficult of attainment, and the exact incidence of particular imposts so complicated, and often so uncertain, that we must at any rate be contented with equity in the aggregate. If the owners and occupiers of real estate furnish, as such, the greater part of the revenue of Local Authorities, these particular persons contribute, as such, much less to the revenue of the National Government.¹ If the mere citizen, who does not happen to be a householder, does not seem to be paying for the local government that he enjoys, the small class of landlords and farmers seems equally to be escaping much of the contribution to the National Government that falls on the far more numerous payers of customs and excise duties. To the economist and statistician, the inequalities and injustices of present-day taxation relate much more to its distribution among incomes of different amounts than to

¹ The (Majority) Report of the Royal Commission on Local Taxation—a body anxious to put the case for the rural districts as high as possible—concluded that, in 1899-1900, taxes incidental to real property contributed 88.9 per cent. of the local tax revenue. But the same table points out that these taxes contributed only 39 per cent. of the national tax revenue (Cd. 638 of 1901, p. 15).

the contributions exacted of different kinds. The grievance is rather that of the person taxed so as to encroach on the minimum necessary for healthy subsistence and the full discharge of the primary duties of parentage and citizenship, or so as to limit desirable expenditure on family nurture, than that of the person taxed on account of his enjoyment of an income derived from some particular source. Least of all is it likely that any grievance will be admitted as of economic validity when it amounts only to the continued existence of charges on real estate which has been purchased or inherited subject to those very charges. The man who has inherited or purchased a leasehold might as well regard the ground rent that he has to pay as being an unfair and excessive addition to his income tax.

The equitable case for Grants in Aid as a partial relief to the owners and occupiers of real estate from the increased and excessive burdens which the Local Authorities that they elect are supposed to be placing upon them is therefore one which it is difficult to make good. It appeals to the "country party," because they are far more conscious of the new burdens than of the remarkable diminution of the old ones. It fails to convince, not the Liberal Party only, or the Labour Party, but also the economists and statisticians; whilst among the representatives of the urban districts it merely stimulates rival claims on the Exchequer. But this does not mean that there is no more valid case for Grants in Aid than is presented by the country gentlemen. As is quite usual in argument, a defective case has led to an erroneous reply. To the question, Why should we have Grants in Aid at all? the answer of the student of political science has no relation to the incidence of taxation as between different social classes, or as between different sources of income. It in no way depends on any unjust or oppressive increase in the burden. The case for Grants in Aid as an integral part of our constitutional machinery is quite otherwise made out.

The case stands on four grounds. Grants in Aid are necessary, in the first place, to prevent an extreme inequality of burden between one district and another. The

cost of administration of a modern state—and notably that part of it which we, in the United Kingdom, entrust to Local Authorities—bears a very marked relation (i) to the number of children for whom education (and much else) has to be provided as a collective service; (ii) to the amount of sickness, premature invalidity, and old age infirmity that prevails among the population, necessitating expensive sanitation, hospitals, medical attendance, maintenance, etc.; (iii) to the extent of the traffic along its means of communication, involving road maintenance, paving, lighting and cleansing, bridges, police, etc.; (iv) to the conditions under which the mass of the population are housed, which is found to be a curiously accurate index to the amount of public services required by them; and (v) generally, in many unforeseen ways, to the poverty of the inhabitants. Now, in all these respects, district differs from district, county from county, and even kingdom from kingdom, to an extent that is not commonly realized. There is, for instance, literally ten times as large a proportion of persons over 70 years of age in rural parts of Wales or Ireland as in the town of Barrow-in-Furness. Even with administration of equal strictness, equal honesty, and equal economy, the cost of governing a hundred thousand persons in West Ham must necessarily be several times as great as that of governing a hundred thousand persons in Hampstead. And the inequality of necessary cost of administration is aggravated by a corresponding inequality of means to bear the cost. Nearly all the circumstances which make the local administration per head relatively high, result also in the income or accumulated wealth of the local residents being relatively low. A district in which the proportion of children to adults, of persons over 70 to those at the productive ages, of sick persons to persons in health, of consumptives to the total population, and of overcrowded slum dwellers to villa residents is relatively high, is inevitably a district in which the rateable value per head of population is (among urban areas) relatively low. Thus the inequality of total cost becomes an immensely aggravated inequality of rate in the pound. To leave each Local Authority to pay for its own sanitation, its own

schools, its own roads and bridges, its own sick and infirm, and its own aged poor would mean that some districts would have to incur a rate in the pound ten or even twenty times as great as others. Under these circumstances the relatively poor districts would inevitably have local services so far behind the current standard as to cause local discontent, serious interregional inconvenience, and a real grievance to the inhabitants of the more favoured districts. The distribution of the common burden of taxation is felt to be so inequitable as to hinder any further development of the public service. One way of securing further progress (as in the case of the Prisons Act of 1878, or that of the Old Age Pensions Act of 1909) is to convert the service into a national one, and thus to throw the cost on national taxation. The other way, exemplified in the grants for elementary schooling, is to meet a part of the cost by a Grant in Aid, made to bear some proportion to the actual amount or cost of the service in each locality, and thus to meet a larger proportion in the more heavily burdened of the districts. The way actually to aggravate this inequality, and to transform the Grant in Aid from a beneficent to a maleficent force, is to make it vary in proportion to the rateable value of each district, which is actually how several of the Grants in Aid have been allocated, thus giving to the richer districts, which have least administration to pay for, and the greatest means, more than to the poorer districts, which have most administration to pay for and the least means! As this is one of the easiest methods of distribution of a given sum, requiring no more intelligence than a grasp of the four rules of arithmetic, it is, in the absence of any scientific consideration of the subject, the one most naturally chosen in the first instance. "It is somewhat anomalous," mildly observes Lord Balfour of Burleigh,¹ "that at least three of the present grants [in Scotland] are still distributed, wholly or in part, in direct proportion to valuation. This system undoubtedly results in the granting of greater relief to wealthy districts than to poorer districts; and *we*

¹ Final Report (Scotland) of Local Taxation Commission, Cd. 1067, 1902, p. 43.

trust that it will not again be adopted in any amendment or extension of the grants."

The second reason for a system of Grants in Aid is of even greater moment than that of Equalization of Burden. They are needed to give weight to the suggestions, criticism and authoritative advice by which the Central Authority seeks to secure greater efficiency and economy of administration. This, indeed, is by far the most important aspect of Grants in Aid.¹ The verdict of administrative experience is that, properly devised, they afford a basis for the best of all relations between the National Government and the Local Authorities. A century of experience has demonstrated that it is undesirable for Local Authorities to be subject to no administrative control whatsoever from a Central Authority, for them to be left without independent inspection or audit, without access to centralized experience and specialist knowledge, without any enforcement of the minimum indispensably required for the common weal, and without mitigation of the stupendous inequality of local rates that complete autonomy involves. On the other hand, the grant to a Government Department of arbitrary powers to sanction or disallow, or peremptorily to order this or that, is felt, in this country, to be derogatory to the independence, the dignity, and the spontaneous activity of freely elected representatives of local ratepayers, spending their own funds. Such mandatory instructions from a Government Office in Whitehall can be enforced only by cumbrous legal processes; and they have proved, in practice, to give the Government Department little real power over recalcitrant local bodies. It is in vain that Parliament endows the Ministry of Health with ample statutory powers—on paper—to compel typhoid-smitten Little Pedlington to provide itself with a proper drainage system and water-supply. Little Pedlington flatly refuses, or stubbornly neglects to do so. The Ministry of Health, for all its paper powers of coercing Little Pedlington by Mandamus or by independent action in default, finds

¹ See this developed in the Report of the Royal Commission on the Poor Laws, etc., 1909 (Minority Report, Part I, ch. ix).

itself practically impotent ; and hundreds of Little Pedlingtons retain to this day their primitive insanitation triumphantly. Very different has been the experience of the influence of a Central Authority wielding the instrument of a well-devised Grant in Aid. Between 1830 and 1856 there was felt to be urgent need of a well-organized constabulary force in the provincial boroughs and counties. By the Act of 1835 Parliament attempted to make it compulsory on the Municipal Boroughs to establish such a force. In the counties the Justices were empowered to establish one. In both boroughs and counties the constabulary remained weak and inefficient. By an Act of 1856 the establishment of an efficient force was not only made everywhere obligatory, but what was far more important, the Government agreed to contribute one-fourth—after 1874, one-half—of whatever expense the locality incurred on its police force, provided that the Home Office was satisfied, after inspection, that the force was adequate and efficient.¹ Under this combination of pressure and inducement, all the provincial police forces have steadily improved, rapidly rising, indeed, to a common level of adequacy and efficiency, the proportion of policemen to population having, on an average, about doubled, and the standard of competency having been enormously raised. At first, all the forces were found inadequate and inefficient, and many counties and boroughs either made no application for a share in the Grant, or were refused it. Gradually more and more voluntarily came in to the new system. At every inspection the defects have been pointed out in a way that could not be ignored. Especially in the way of securing improvements in police administration, in getting better accommodation provided for persons detained at the police stations or for the constables themselves, and, latterly, in getting the Local Authorities to concede the proper increases of pay to their police forces, has the power to withhold the Grant been found, in recent years, a most efficacious lever. The mere intimation that, unless

¹ See the story well told in *National and Local Finance*, by J. Watson Grice, D.Sc. (Econ.), 1910, pp. 37-41, 64-5.

the shortcomings were, somehow or another, remedied before the next annual inspection came round, the Secretary of State might have to consider the propriety of withholding a portion of the Grant (from 1888 the certificate without which the Exchequer Contribution cannot be paid, but now again the actual payment of the additional voted Grant) has usually sufficed to induce the Local Authority—not necessarily next month, but gradually, in due course—to effect more or less of the necessary improvements—not necessarily in exact compliance with any Government pattern, but with the fullest sense of local independence, exercising its own judgment in its own way, and often apparently on its own initiative. In the course of sixty years, though the official criticisms have been incessant, and though the Home Office has not been afraid actually to withhold the Government contribution, it has never, for many years, been necessary to take this course.¹ In some cases the Grant has been held up to the very last day on which the money was available, and only paid on that day when satisfactory assurances of reform had been received. Of legal proceedings, by Mandamus or otherwise, to compel a recalcitrant Local Authority to do what the statute required, there has been,

¹ The number of boroughs, cities, and counties receiving no grant for police was as follows :

1857	1860	1865	1870	1875	1880	1885	1890
120	78	59	56	38	32	25	0

(Goodnow's *Municipal Problems*, p. 125 ; Grice's *National and Local Finance*, p. 64). There is one exceptional case (the ancient City of London, a small enclave of one square mile in the midst of the 700 square miles area of the Metropolitan Police Force), in which the Local Authority, the old City Corporation, whilst priding itself on maintaining a highly efficient police force, long refused to apply for a share in the Grant in Aid. It still refuses in form, but now consents to ask for and receive a share of the new Police Grant, which is annually voted in order to raise the amount to one-half the present cost. What the City Corporation now deigns to accept is one-half the cost after deducting the equivalent of a fourpenny rate, this being taken to be equivalent to what would have been received from the voted Grant if the City Corporation had shared in the statutory Grant. The effect is that the City rates now bear about the same charge for police as they would bear if the City Police were amalgamated with the Metropolitan Police, and the City with the Metropolitan Police area. The Tyne Commissioners Police Force, which was, perhaps inadvertently, included among Local Police Forces eligible for a Grant, has never applied for or received the Grant. Other dock, harbour or railway police forces do not come within the Police Acts.

in this matter of a constabulary force, no question. It is therefore not surprising to find this system of Grants in Aid upheld by such great authorities as Lord Balfour of Burleigh, Sir George Murray, and the late Sir Edward Hamilton. "In the administration of national services," says the first-named, with the concurrence of the others, "it is of the utmost importance that the Central Authority should endeavour to secure uniformity, efficiency, and economy, and with this object I am of opinion that it should be invested with extensive powers of control. Such powers may be most effectively exercised if accompanied by a system of Grants in Aid."¹

Unfortunately, the story of the police force is but little known to the ordinary Member of Parliament. The officers and members of Local Authorities naturally prefer to be free from the inspection and criticism of any external body. The representatives of the Treasury naturally desire to have a fixed limit to the claims that may be made upon them, and prefer, therefore, an invariable grant. And it is a curious peculiarity of English Government Departments that, far from seeking to "amplify their jurisdiction," or to enlarge their functions, Ministers and Civil Servants alike shrink from the responsibility of having to supervise the actual course of local administration. Hence any "expert departmental committee" is apt to ignore altogether this most important use of the Grant in Aid; and to favour, instead, some fixed allocation of the available sum among all the different claimants, upon a purely mechanical basis of population, rateable value, or number of some easily countable objects (such as school attendances, hospital beds, adult paupers in workhouses, or lunatic asylum patients), irrespective of whether or not the Local Authority is efficiently carrying out the wishes of the Legislature. Any such proposal should be strenuously resisted.

The third reason for Grants in Aid is that they furnish the only practicable method, consistent with local autonomy, of bringing to bear upon local administration

¹ Final Report (Minority) of Local Taxation Commission (England), 1901, p. 82.

the wisdom of experience, superiority of knowledge, and breadth of view which, as compared with the administrators of any small town or any rural area, a central executive department cannot fail to acquire,¹ for the carrying into effect of the general policy which Parliament has prescribed. Without in the least believing that there exists in any Government office a special fund of administrative wisdom, or that the inhabitants of the smallest town or most sparsely peopled county may not know best how to govern their own locality, there are usually some lines of policy and some directions of expenditure which, in the common judgment of the community, are better than others. Yet experience shows that some Local Authorities will at all times be backward in discarding the worse and adopting the better alternative. This might not, of itself, afford much ground for a Grant in Aid, though Lord Balfour of Burleigh tells us that the Grants "in force before 1888 were . . . in most cases devised with a view to guiding local administration in the desired direction."² But as, for other reasons, there must be Grants in Aid, it is of the utmost importance that they should at any rate be so devised as to afford no encouragement to injudicious or detrimental expenditure, of demonstrable harm to those larger or more distant interests that any particular Local Authority may easily overlook ; and further, that as such Grants in Aid cannot fail to influence local policy in one direction or another, they should be so arranged as to give encouragement to expenditure which is deemed, in the national interest, desirable, rather than to expenditure which is deemed undesirable. It is true that in exercising any such discrimination, Parliament and the executive departments may make mistakes. But as they cannot escape from influencing the Local Authorities, it is obvious that they must act upon such light as they have, and must, in particular, particularly avoid making their Grants in Aid operate in a way which they do not desire. Whether all poor relief should be by money doles

¹ *Representative Government*, by John Stuart Mill, 1861.

² Final Report (Minority) of Local Taxation Commission (England), 1901, p. 82.

in the homes, or by maintenance in the institutions provided; whether orphan children should be retained in the General Workhouse, or be specially provided for outside that now discredited institution; whether the "common school" (in the sense of one undifferentiated school for all) should be adhered to, or special schools provided for the blind, the deaf and dumb, crippled and the feeble-minded respectively; whether the public money had better be devoted to actually preventing disease, rather than to letting it occur and then treating it—in all these and many other cases enormous good has been done by judicious encouragement of the wiser course, without in any way interfering with the exercise by the Local Authorities of their discretion to choose either the one course or other, and without depriving them of the advantage of local initiative. ✓ We want to leave our Local Authorities free to choose, just as a wise parent leaves his children free to choose. But there is no harm, and on the contrary great gain, in taking care that the choice is exercised with all available knowledge; and experience shows that the choice is more likely to be wisely made if some financial inducement is judiciously thrown into the balance in favour of the course which, whilst benefiting the locality itself here and now, is likely to be of most advantage to the community as a whole and to the locality in the long run. This has even been put as the principal consideration to be kept in view, in deciding on Grants in Aid. "I am strongly of opinion," says Lord Balfour of Burleigh, "that *the most important point* is to see that the contribution given should bear some relation to the cost of national services, and should be dealt with in such a way as to afford a lever for improving local administration, both in regard to its efficiency and economy."¹

The fourth reason for Grants in Aid is that only by this means can we hope to enforce on all Local Authorities through the kingdom that "National Minimum" of efficiency in local services which we now see to be indispensable in the national interest.² We cannot afford to

¹ *Ibid.*, p. 82.

² *The Necessary Basis of Society*, by Sidney Webb (Fabian Tract, No. 159).

let the inhabitants of Little Pedlington suffer the penalties of their own ignorance or their own parsimony, because the consequences fall, not on them alone, but also upon the neighbouring districts, upon everyone who passes through their benighted area, upon all those who have intercourse with them, even upon the community as a whole, whose future citizens they are producing. We see this clearly enough when it is a question of infectious disease. We cannot allow Little Pedlington to be free, if it chooses, to have as much small-pox and enteric fever—not to say cholera and bubonic plague—as its inhabitants choose to submit to, rather than take preventive measures which they dislike. We have equally no reason to put up with the horribly bad roads which are all they may wish to pay for. If they are permitted to bring up their children in ignorance, to let them be enfeebled by neglected ailments, and to suffer them to be demoralized by evil courses, it is not the Little Pedlingtonites alone who will have to bear the inevitable cost of the destitution and criminality thus produced. Hence, modern administrative science is forced to recognize that we are all, in the plainest sense, “members one of another.”¹ The claim for complete local autonomy—for the freedom of the inhabitants of any particular place “to do what they like with their own”—is incompatible with national well-being. We see that there must at any rate be a “National Minimum” in all the elements of civilization upon which the community as a whole must insist. It follows that the claim of the nation that each locality ought itself to pay for whatever local government it has, necessarily loses most of its argumentative force, if not all its scientific validity. If, for the sake of the community as a whole, Little Pedlington has to undertake preventive measures which its inhabitants dislike, to make roads of better quality than they think necessary, to provide schools and care of the children in excess of what is locally considered sufficient, Little Pedlington has a certain claim to be relieved of part

¹ See this argument elaborated in *Industrial Democracy* and *The Prevention of Destitution*, both by S. and B. Webb; see also *Socialism and National Minimum*, by B. Webb.

of the cost thus imposed upon it. Especially is this the case if Little Pedlington is relatively poor and already highly burdened. If Little Pedlington's parsimony in public administration is resulting in a rate in the pound actually lower than the average throughout the kingdom, we need not have much scruple in forcing it to come up to the "National Minimum." Usually, however, it is found that Little Pedlington's parsimony springs, in part, from its poverty of resources; and that, inefficient and inadequate as is its public administration, its rate in the pound is at least up to the average of the kingdom. It has then a strong claim not to have imposed upon it, in the interests of the community as a whole, expensive measures which it does not desire, and which will make its inhabitants bear actually more than the average burden. The practical outcome is that (as we see in all directions in the Public Health Service) without a Grant in Aid, the "National Minimum" cannot, in practice, be enforced. But, notwithstanding more than half a century of experience, this fact is frequently not recognized by the framers of legislation or by those who report upon the proper conditions for a Grant in Aid. Much of the legislation relating to the protection of infants and the prevention of the neglect and cruel treatment of children, repeated in statute after statute, and now codified in the Children Act of 1908, remains inoperative from this cause. The Legislature has prescribed a "National Minimum" of child nurture. It has specified certain Local Authorities as having the duty of enforcing the law. But it has made no provision for any supervision to see to what extent, if any, these Local Authorities are taking action; there is no Central Authority to whom they report, and from whom they receive the stimulus of inquiry and advice; and, finally, there is neither financial encouragement to the necessary expenditure, nor any effective penalty—not even official disapprobation and warning—if no such expenditure is incurred. The result is that, over large parts of the kingdom, the Children Act, like its predecessors, remains a dead letter. The Home Office has been able to secure everywhere the "National Minimum" in the efficiency of the County

Constabulary, because it was connected with a Grant in Aid. The Home Office has not been able to secure the "National Minimum" of child nurture, which we may presume it to have desired with at least equal keenness, because this was not connected with a Grant in Aid.

It has accordingly become an axiom of political science that, with our English administrative machinery, Grants in Aid of Local Government are indispensable—(i) for any equitable mitigation of the inequalities of burden; (ii) to secure effective authority for the necessary supervision and control of the National Government; (iii) to encourage the kind of expenditure most desirable in the interest of the community as a whole; and (iv) to make it possible to attain to anything like a universal enforcement of the "National Minimum" that Parliament has prescribed. And thus we find such eminent authorities as Lord Balfour of Burleigh, Sir George Murray, and the late Sir Edward Hamilton concurred in declaring "that the system of direct payments from the Central Government to the responsible [Local] Authorities in respect of definite services, and not to particular items of expenditure, affords by far the easiest basis for judicious participation in the solution of administrative problems."¹

So far from Grants in Aid being objectionable and exceptional, to be restricted to the fewest possible services and to be got rid of as soon as possible, we have to recognize them as a permanent and, if properly arranged, intrinsically valuable part of our constitutional machinery, destined (with suitable financial readjustments and scientifically devised conditions) to wider and wider extension.

¹ Final Report (Minority) of Local Taxation Commission (England), 1901, p. 83.

III

HOW WE NOW DISTRIBUTE SIXTY-FIVE MILLIONS A YEAR IN GRANTS IN AID

FEW persons are aware of the extent of our Grants in Aid to-day. There seems to be among the official publications, no comprehensive or comprehensible statement setting forth all the various subventions from the Exchequer to the different Local Authorities of the United Kingdom.

One difficulty is that we have to consider separately that which is paid by the Exchequer and that which is received by the several Local Authorities. Something approaching twelve millions is paid into the Local Taxation Accounts for England and Wales, Scotland and Ireland respectively ; and thence distributed to the Local Authorities, part of it, indeed, to some Local Authorities only as conduit-pipes to other Local Authorities. On the other hand, the Education Grants, the Industrial and Reformatory School Grants, the Distress Committee Grants, the new Grants in Aid of the provision for Venereal Diseases, Tuberculosis, Maternity and Infancy, and various contributions in lieu of rates are paid direct to the Local Authorities concerned. Moreover, in some cases, the Grants payable to Local Authorities are accompanied by other subventions for similar services paid (as for some Industrial and Reformatory Schools in the United Kingdom, for elementary schools in Ireland, and for some of the Grants towards provision for Maternity and Infancy) direct to voluntary organizations unconnected with Local Government.

The complication of the Local Taxation Accounts dates from 1888, when Mr. (afterwards Viscount) Goschen undertook to simplify the financial relations between the

Exchequer and the Local Authorities, and to make their finances mutually independent. With this object, and altogether ignoring the purposes and results of Grants in Aid to which reference has just been made, he induced the House of Commons to substitute, for the multifarious separate Grants in Aid then borne upon the Exchequer, the assignment of certain revenues (local taxation licences, and a proportion of the Estate Duty), by which, as it was hoped, all claims for Grants in Aid would be met. In that way, it was assumed, the Treasury would be freed from the burden of an uncertain and steadily rising charge, which inconvenienced the framers of the National Budget. From the outset, however, the scheme was applied only to less than half of the total Grants in Aid. The large and growing Education Grants and the less important Grants for Industrial and Reformatory Schools, together with the miscellaneous contributions in lieu of rates, etc., were left untouched. The Treasury was accordingly not freed from the inconvenience and uncertainty caused by the varying annual increases in the Grants, whilst the mutual independence of central and local finances was in no way secured. And the arrangement was promptly upset in other respects. A large addition was made in 1891 by the assignment to the Local Taxation Accounts of the equivalent of the increased duties on beer and spirits, which were allocated among the Local Authorities on a new and perplexing basis, which nobody outside the Treasury ever fully understood. Five years later came the Agricultural Rates Act of 1896, under which a certain class of property (agricultural land apart from farm buildings) was to be assessed at half its annual value only; whilst in lieu of the annually increasing deficiency of income thus caused to the Local Authorities, a fixed sum was to be paid to the Local Taxation Accounts for distribution upon yet another basis of allocation. We need not trouble to mention minor changes, or the Scottish and Irish equivalents of what was done for England and Wales, which have together brought the total receipts of the Local Taxation Accounts from a little over seven millions in 1889-90 to twelve millions in 1920-21; and yet have left the Local

Authorities, as they with some force contend, financially in a much worse position than they were in at the former date.

We now give the sums paid to the Local Taxation Accounts in 1908-9, which do not differ very materially from the amounts for 1920-21. (See page 30.)

How exactly the money is paid out of the Local Taxation Accounts, and especially on what basis the several Grants are allocated among the different Local Authorities, seems past all finding out. We know that at least six different bases of allocation are employed, for England and Wales alone; and several others for Scotland and Ireland. The score of different Grants in Aid are often allocated in such a way that one neutralizes the other. A Local Authority getting a relatively large share of one Grant, because of the poverty of the district, will get a relatively small part of another Grant, because some different basis has been used. A Local Authority refused any share of one Grant because a particular service is not up to the prescribed "National Minimum" of efficiency, will nevertheless be receiving a share of another Grant, expressly with a view to its maintenance of that service. Here, at any rate, is a statement giving the headings under which the issues are paid, together with the amounts as they stood in 1906-7:

SUMS RECEIVED BY LOCAL AUTHORITIES IN ENGLAND AND WALES DURING THE YEAR 1906-7 OUT OF MONEYS CARRIED TO THE LOCAL TAXATION ACCOUNT.

<i>Purposes.</i>	<i>Amount.</i>
Salaries of Teachers in Poor Law Schools and School Fees for pauper children sent from Workhouses to Public Elementary Schools	£24,946
Higher Education	820,469
Police (including Police Pensions)	2,443,869
Maintenance of Pauper Lunatics in County and Borough Asylums, Registered Hospitals, and Licensed Houses	847,572
Salaries of Medical Officers of Health, Sanitary Inspectors, and Inspectors of Nuisances, and awards to Public Vaccinators	194,516

GRANTS IN AID

	England and Wales.	Scotland.	Ireland.	United Kingdom.
	£	£	£	£
Local Taxation, Li- cence Duties ...	{ 2,506,975 ¹ 1,229,743 ² }	386,931	213,600	4,337,249
Estate Duty Grant	{ 2,196,372 ³ 20,240 ⁴ }	323,835	262,693 ³	{ 2,872,900 ³ 20,240 ⁴ }
Local Taxation, Cus- toms and Excise Duties ...	1,107,260	152,248	121,909	1,381,417
Exchequer Contribu- tion under Land Purchase (Ireland) Act, 1891 ...	—	—	40,000	40,000
Agricultural Rates Grants under Acts of 1896 ...	1,326,487	182,355	—	1,508,842
Agricultural Grant under Local Taxa- tion Account (Scot- land) Act, 1898 ...	—	98,058	—	98,058
Agricultural Grant under Local Taxa- tion Account (Ire- land) Act, 1898 ...	—	—	727,655	727,655
Additional Contribu- tion under that Act	—	—	79,000	79,000
Moiety of Rates under Tithe Rent Charge Act, 1899 ...	138,549	—	—	138,549
Cost of Collection of Licence Duties ...	40,000	—	—	40,000
	8,565,626	1,143,427	1,444,857	11,153,910

¹ Paid from the Exchequer.² Collected by the County and County Borough Councils in England and Wales, to which Authorities the collection was transferred on January 1st, 1909.³ The Estate Duty Grant for Ireland is first paid into the Land Purchase Guarantee Fund, and only so much of it as is not required for meeting charges on that fund is transferred to the Local Taxation Account. £54,352 was retained by the Fund in 1908-9. This sum is included in the table.⁴ To the Cattle Pleuro-Pneumonia Account for Great Britain.

SIXTY-FIVE MILLIONS A YEAR

31

<i>Purposes.</i>	<i>Amount.</i>
Remuneration of Poor Law Medical Officers, and Costs of Drugs and Medical Appliances (Metropolitan Unions only)... ..	£57,213
Grant to Guardians of extra-Metropolitan Unions based on the cost in 1887-8 of Officers of Unions and Poor Law School Districts (including Poor Law Medical Officers and the Cost of Drugs and Medical Appliances)	973,896
Other Specific Services... ..	10,336
In aid of Rates for County Purposes, including Main- tenance of Main Roads	1,523,056
In aid of Rates in County Boroughs	280,978
In aid of other Rates	1,148
In respect of the deficiency caused by the provisions of the Agricultural Rates Act, 1896, in the produce of Rates of :	
County Councils	433,663
Rural District Councils	354,137
Boards of Guardians	499,478
Town Councils	27,895
Councils of Urban Districts other than Boroughs	6,943
Other Authorities	4,456
	<hr/>
	£8,504,566

PAYMENTS OUT OF THE LOCAL TAXATION (SCOTLAND) ACCOUNT.

I.—Customs and Excise Duties :

Police Superannuation	£40,000
Relief of School Fees	40,000
Medical Officers and Sanitary Inspectors ...	15,000
Education (Scotland) Fund... ..	57,248
	<hr/>
	£152,248

II.—Local Taxation Licences and Estate Duty :

Highlands and Islands Grant	£10,000
Contribution to—	
Cost of Roads	35,000
Pay and Clothing of Police	155,000
Parish Councils (Medical Relief)	20,001
Parish Councils (Pauper Lunatics)	115,090
Secondary Education	60,000

GRANTS IN AID

<i>Purposes.</i>	<i>Amount.</i>
Universities	£30,000
Parish Councils (Relief of Rates)	50,000
Cattle Pleuro-Pneumonia Account	2,760
Counties, etc. (Relief of Rates, etc.)	192,907
Education (Scotland) Fund	39,599
	<hr/>
	£710,357

III.—Estate Duty (Agricultural Rates, etc. (Scotland) Act, 1896) :

Burgh Land Tax Relief	£7,990
Contribution to Congested Districts in Highlands and Islands of Scotland	15,000
Contribution to County Councils and Parish Councils (Relief of Agricultural Occupiers)	159,390
	<hr/>
	£182,380

IV.—Local Taxation Account (Scotland) Act, 1898 :

Contribution to County Councils and Parish Councils (Relief of Agricultural Occupiers)	£20,000
Contribution to Pay and Clothing of Police	25,000
Marine Superintendence	15,000
Contribution to Secondary or Technical (including Agricultural) Education	38,021
	<hr/>
	£98,021
	<hr/>
	£1,143,007

PAYMENTS OUT OF THE LOCAL TAXATION (IRELAND) ACCOUNT.

I.—Estate Duty Grant :

Department of Agriculture (Horse and Cattle Breeding)	£5,000
To County, etc., Councils, as Road Authorities	105,790
To County, etc., Councils, on behalf of Boards of Guardians (Poor Relief)	102,046
	<hr/>
	£212,836

SIXTY-FIVE MILLIONS A YEAR 33

Purposes. *Amount.*

II.—*Exchequer Contribution :*

To the Local Government Board for the purposes of the Labourers Acts	£6,000
To Board of Works in discharge of Loans to Rural District Councils for Labourers Acts purposes ...	30,812
To County Boroughs in aid of Rates	3,188
	<hr/> £40,000

III.—*Agricultural Grant (less £1,850 deducted under Land Purchase Acts) £725,805*

IV.—*Customs and Excise Duties :*

Intermediate Education Board	£9,806
Department of Agriculture and Technical Instruc- tion	78,000
	<hr/> £87,806

V.—*Licence Duties and Local Grants :*

One-half Salaries of Medical Officers	£62,918
One-half Salary of one trained Nurse in each Workhouse	3,000
Salaries of Schoolmasters and Schoolmistresses in Workhouses... ..	7,910
One-half Cost of Medicines, etc.	12,945
L.G.B. Pharmacist	150
One-half Salaries of Sanitary Officer	18,407
Accommodation and Maintenance of Lunatics ...	193,294
In aid of Guarantees for Railway and Harbour Charges	14,422
	<hr/> £313,046
	<hr/> £1,379,493

Apart, however, from all the Local Taxation Accounts, which do not appreciably change from year to year, we have the far larger Grants in Aid administered by the Board of Education for England and Wales, the Scotch Education Department, and the Commissioners of

National Education in Ireland. These Grants, dispensed among a dozen different heads, amounted in 1909 apparently, for the United Kingdom (including the Grants to "National" schools and voluntary training colleges in Ireland), to more than sixteen millions a year. It adds to the confusion that besides this large sum other Grants for education are issued out of the Local Taxation Accounts, as already described, to the extent of some £900,000 for education other than elementary (the so-called "whisky money"), £24,946 for teachers in Poor Law Schools, etc., £264,868 for various kinds of education in Scotland, and £87,806 and £7,910 for other kinds in Ireland.

EDUCATION GRANTS.

ENGLAND AND WALES.

<i>I.—Public Elementary Schools :</i>	1906-7.	1918-19.
Annual Grants	£5,652,431	£5,797,396
Aid Grants	2,445,839	2,311,410
Fee Grants	2,662,066	2,563,396
Special Grants to certain Local Authorities	201,648	1,012,582
Grants for Blind, Deaf, Defective, and Epileptic Schools	77,296	247,876
Pensions and Gratuities to Teachers	113,037	259,386
Special Grants for the building of new Public Elementary Schools	21,815	—
	£11,174,132	

In addition, in 1918-19, there were:

Grants for Medical Inspection and Treatment	—	359,696
Supplementary Grant for Elementary Education	—	3,481,235

II.—Grants for Training of Teachers :

Maintenance Grants for Training Colleges, etc.	£430,325	£459,171
Building Grants for Training Colleges and Hostels	60,757	488

£491,082

SIXTY-FIVE MILLIONS A YEAR 35

III.—Grants towards Expenditure on 1906-7. 1918-19.
Secondary Schools and Instru-
tion of Pupil Teachers, etc. :

Grants for Secondary Schools and Instruction of Pupil Teachers, etc.	£705,449	£1,554,884
Contributions towards Local Science and Art Scholarships held in Secondary Schools	34,233	—
	<hr/> £739,682	

IV.—Grants towards Expenditure on other Aided Schools and Classes :

Grants for Technical Institutions, Schools of Art, and Evening Schools	£493,927	£593,755
Scholarships, Royal and Local Exhibitions, and Prizes	18,654	6,920
Examples of Students' Works and Materials for Examinations ...	492	—
Grants for Miscellaneous Schools...	64	—
	<hr/> £513,137	
	<hr/> £12,918,033	

In addition, in 1918-19, there were :

Grants to University Institutions in respect of Technological Work	—	59,906
Grants towards Expenditure under the Education (Choice of Employment) Act, 1910 ...	—	8,536

SCOTLAND.

I.—Elementary Schools :

Annual Grants for Day Scholars ...	£949,704	£1,077,650
Fee Grants for ditto	360,667	370,952
General Aid Grant	261,991	987,732
Additional Grants to School Boards	73,536	85,248
Special Grants to certain School Boards	9,592	—
Aid Grant for Voluntary Schools ...	14,545	16,385

	1906-7.	1918-19.
II.—Continuation Classes and Secondary Schools	£156,111	£210,878
III.—Training of Teachers	123,229	111,637

In addition, in 1918-19, there were :

Grants for Blind, Deaf, and Mute Children	—	£9,861
Grants for Medical Treatment, etc.	—	8,961
Superannuation of Teachers	—	50,853

IRELAND.

Grants to National Schools (including Teachers' Capitation Fees), Pupil Teachers and their examination expenses, Evening Schools, Manual Instruction, Teachers' Residences, School Grant, etc.	£1,480,000	£2,145,843
Grants to Training Colleges	40,000	53,064

£1,520,000¹

We have yet to mention another educational subvention, namely, the Grants payable under the Industrial and Reformatory Schools Act, now codified in the Children Act of 1908. By an historical anomaly these schools are supervised, not by the Board of Education, but by the Home Office. They are payable either to Local Education Authorities maintaining such schools, or to bodies of voluntary managers who relieve the Local Authorities of this work. The figures were as follows :—

INDUSTRIAL AND REFORMATORY.

	ENGLAND AND WALES. 1906-7.	1918-19.
Industrial Schools	£122,464	£208,952
Day Industrial Schools	5,484	6,968
Truant or Short Term Schools	6,223	14,305
Reformatory Schools... ..	74,043	100,007

£208,214

¹ Approximate only ; being that portion of the total expenditure which is paid to bodies of Managers, etc., who in Ireland do the work elsewhere entrusted to Local Education Authorities.

SIXTY-FIVE MILLIONS A YEAR

37

SCOTLAND.				1906-7.	1918-19.
Industrial Schools ...	...	...	...	£53,887	£69,683
Day Industrial Schools ...	...	...	...	2,219	8,046
Truant or Short Term Schools ...	...	...	...	791	1,968
Reformatory Schools...	...	...	...	11,855	16,056
				£68,752	
Great Britain ...	...	...	...	£276,966	£507,141
Less Appropriation in Aid ...	...	...	...	26,572	48,956
				£250,394	£458,184
IRELAND.					
Industrial Schools ...	...	...	...	£98,964	£108,553
Reformatory Schools...	...	...	...	9,082	10,893
				£108,046	£119,446
Less Appropriation in Aid ...	...	...	...	1,704	3,340
				£106,342	£116,106

The total issues from the Exchequer in respect of education of all kinds in 1911-12, approached pretty nearly to twenty millions sterling, and in the current year, 1920-21, to three times that sum.

There remained certain anomalous payments. Among these are the contributions in aid of the expenses of the Central (Unemployed) Body for London and the District Committees in 120 other towns, acting under the Unemployed Workmen Act of 1905. These—our modern recognition, in the most foolish way, of what is called the “Right to Work”—amounted in 1906-7 to £219,065 for England and Wales, £47,253 for Scotland, and £13,750 for Ireland, a total of £280,068. No such item occurs in the 1918-19 accounts. Then there are the contributions in lieu of rates on Government property (£548,732 in England, £29,406 in Scotland, and £57,386 in Ireland) and the rates payable on the houses occupied by the foreign legations (£8,017). In 1918-19 these items were £1,293,728, £64,671, £101,895 and £10,996 respectively, or more than twice as much. These are perhaps

not properly to be regarded as Grants in Aid. Whether or not we should so regard the £10,000 a year that the Treasury pays towards the Metropolitan Fire Brigade, the £90 annually contributed towards the repair of the interesting stone bridge over the Tweed at Berwick,¹ and the numerous subventions of this sort in Ireland, may be less open to question.

We may now present a final summary, which still excludes some items :

SUMMARY OF SUBVENTIONS TO LOCAL AUTHORITIES IN 1908-9.

	England and Wales.	Scotland.	Ireland.	United Kingdom.
Money passing through Local Taxation Ac- counts ...	£ 8,565,626	£ 1,143,427	£ 1,444,857	£ 11,153,910
Education Grants	12,918,033	1,967,870	1,520,000	16,405,903
Reformatory and Industrial Schools ...	188,000 ¹	62,000 ¹	106,342	356,342
Grants under Un- employed Work- men Act, 1905	219,065	47,253	13,750	280,068
Contributions in lieu of Rates, etc. ...	54,000 ¹	28,000 ¹	56,000 ¹	624,000
	22,430,724	3,248,550	3,140,949 ¹	28,820,223

¹ Approximate Figures.

The corresponding total for 1911-12, did not fall far short of thirty millions sterling ; a total more than doubled in the current year (1920-21).

How exactly these large Grants affected each particular Local Authority in England and Wales, Scotland and Ireland, cannot be discovered from any published figures. We may infer from the statistical totals that the net result of the thirty millions of Grants in Aid—amounting to

¹ As to this see *The Manor and the Borough*, by S. and B. Webb.

about 3d. per head of population per week—was, in 1910-11, to reduce the rates, *on an average*, by about 2s. 4d. in the £, making them only two-thirds of what they would otherwise have been. The ratepayer then paid, in the United Kingdom, in round figures, on an assessment (rateable value) of about two hundred and fifty millions, nearly seventy millions a year in rates, or, *on an average*, 5s. 8d. in the £. But for the Grants in Aid he would have been paying nearly a hundred millions, or 8s. in the £. In 1920, he is paying over a hundred millions in rates, notwithstanding Grants in Aid amounting to sixty-five millions, which must be equivalent to a relief in rates of something like 5s. in the £. All such averages are, however, entirely delusive. The relative amount and the actual operation of the Grants were very different in the three kingdoms. Even within each kingdom the circumstances of parishes, boroughs, and counties differ enormously. Some parishes in the United Kingdom find their rates reduced, by the operation of the Grants in Aid, to next to nothing. Other parishes, at the further end of the scale, are paying in rates more than 15s. (occasionally, in Scotland, more than 20s.) in the £.¹ It would be a good thing if some Member of Parliament would ask the Chancellor of the Exchequer to supply, for England and Wales, Scotland and Ireland respectively, tables similar to that published by the London County Council for the London parishes as to the effects of the various "Equalization Funds,"² showing for each rating area the rateable value per head of population (as a convenient index of its poverty) and the amount in the £ by which the several Grants in Aid actually reduce the local ratepayers' burden. The inequalities and absurdities which such a table would reveal would prove a cogent argument for the promised reforms. We shall see something of them in the following chapters.

¹ See, on this point, *The Inequality of Local Rates*, by Prof. E. Cannan (*Economic Journal*, 1896).

² See the annually issued *London Statistics*. No Member of Parliament troubled to ask for such a statement during the past decade, and none such has been issued (1920).

IV

THE GRANTS IN AID OF THE POOR LAW AUTHORITIES

THOSE who have patience to unravel the complications and explore the anomalies of the existing Grants in Aid may be recommended to take, as a choice example of the results of ignoring in this matter all political science, and of relying on mere rule of thumb, the Grants in Aid of the Poor Law Authorities in England and Wales, Scotland and Ireland, of which the details were made accessible by the labours of the Royal Commission on the Poor Laws, 1905-9.¹ We shall find among the various Grants in Aid in this department of the public service, instances of everything to be avoided, as well as a few suggestions of what to adopt for the future. Practically nothing has been done in the past decade to effect improvement.

The Grants in Aid received by the Poor Law Authorities amount, in the United Kingdom, to three and a half millions sterling per annum, or between one-fifth and one-sixth of the total expenditure connected with the relief of the poor under the Poor Laws. But they differ so considerably in their amount, in their kind, and in their conditions, among the three parts of the United Kingdom, that we can only consider their effects by taking them separately.

(A) *England and Wales outside the Metropolis.*

The Grants in Aid receivable by the Boards of Guardians in England and Wales now amount to more than

¹ Report of Royal Commission on the Poor Laws, etc., 1909, especially Minority Report, Part I, ch. ix, p. 320, of 8vo edition of the Blue Book, from which most of this chapter has been taken.

£2,600,000 sterling annually, payable in five separate grants.¹

GRANTS IN AID RECEIVABLE BY BOARDS OF GUARDIANS IN
ENGLAND AND WALES.

Grant.	Amount in 1907-8.
Fixed Grant under Local Government Act, 1888 (Sec. 43 for London Unions, Sec. 26 for those elsewhere)	£1,350,000
Fixed Grant under Agricultural Rates Act, 1896	461,000
Four shillings per head per week for lunatics in asylums, etc.	800,000
Payments in respect of teachers in Poor Law schools	25,000
Repayment of school fees paid for children sent from workhouses to public elementary schools	2,000
	£2,638,000

In considering the effect of these Grants in Aid on the administration, we must omit, for the moment, the Boards of Guardians of the Metropolis, where the position is further complicated by an internal system of local equalization of rates and the existence of a federal Poor Law Authority.

(i) *The Relief to the Local Ratepayers.*

Taking first the relief afforded outside the Metropolis to the local ratepayer, we have to note that, owing to the arbitrary manner in which the two principal fixed Grants were allocated, and the changes that have taken place in the last two decades, the amount and the proportion of the relief varies enormously from Union to Union, and that it bears no relation whatever to the policy or to the relative efficiency and economy of the Boards of Guardians.

¹ Evidence before Poor Law Commission, Appendix III of Vol. I.

The amount by which the rates are lowered owing to the whole of these Grants in Aid appears to be less than 1d. in the £ in the Fylde Union; less than 2d. in the £ in the Lancaster and Bootle Unions; and less than 3d. in the £ in some other Unions. On the other hand, owing to these same Grants in Aid, the ratepayers in the little Caxton and Arrington Union find their burdens lightened by nearly 1s. 6d. in the £; and those in Fordingbridge and Anglesea Unions by more than 1s. in the £. In the little Union of Longtown the total Grants in Aid now amount to over 58 per cent. of the expenditure of the Board of Guardians; in that of Belford they amount to over 50 per cent.; whilst in some other Unions they come to over 40 per cent. On the other hand, in the Bedwellty Union the whole of the Grants in Aid are less than 13 per cent. of the expenditure; in the King's Lynn Union they come to less than 15 per cent.; and in the Unions of Bury St. Edmunds and Great Yarmouth, to less than 18 per cent. The result is that the Poor Rates vary from less than 3d. in the £ in the Fylde and Garstang Unions, up to more than 2s. in the £ in the Mildenhall, King's Lynn, Risbridge, and Carnarvon Unions. The Minority Report of the Poor Law Commission observes, with some justice, that "whatever may be thought of the policy of contributing a sum of £2,600,000 in relief of the payers of Poor Rate in England and Wales, we cannot conceive of any argument that would justify the continuance of such gross and entirely arbitrary inequalities between Union and Union, not in any way dependent on the conduct of the local administrators, as the present system involves."¹

(ii) *Discrimination in favour of Desirable Expenditure.*

The second effect of Grants in Aid may be to encourage particular forms of expenditure as compared with others. Here we must ignore the two fixed Grants which are, in effect, made in aid of the Guardians' funds generally, however these are expended. The three smaller Grants vary according to the amounts expended by the Boards of Guardians on particular services, and thus tend

¹ Minority Report of Poor Law Commission, 1909, p. 322.

to encourage the growth of these services. One of these Grants, that for the payment of school fees, has, with the almost universal adoption of free schools, become of trivial amount. Another, that towards the salaries of teachers in Poor Law Schools, whilst still serving to encourage the Boards of Guardians to staff these schools with more qualified teachers,¹ has, with the continuous tendency to cede the educational work connected with pauper children to the Local Education Authorities, become of little consequence, and may even tend to discourage the most approved methods of dealing with pauper children. The other Grant, that of 4s. per head per week for every certified pauper lunatic placed in a proper asylum under the care of the Lunacy Authority, still has important results.

By paying the Grant only for such persons as have been transferred to lunatic asylums, etc., and withholding it in those cases in which the person of unsound mind is retained in the General Mixed Workhouse, Parliament and the Central Authority have striven to encourage that elimination of lunatics from the workhouse which is so desirable. Under this encouragement, the number of paupers of unsound mind in the asylums in the County and Borough Councils rose from 16,369 in 1859 to over 100,000 at the present time. So far the Grant may be said to have attained its object. It has, however, as has been forcibly represented to successive Commissions, three grave defects. It offers a standing inducement to Boards of Guardians to get people certified as persons of unsound mind who are not really lunatics or idiots, merely as a means of getting rid of them from the General Mixed Workhouse, and obtaining the Grant in respect of them.² It was brought to the notice of the Poor Law Commission that some Unions, particularly those in which additional workhouse accommodation would otherwise have to be provided at great cost, make a practice of sending to the costly "mental hospitals" of the County and Borough

¹ Final Report of Local Taxation Commission (England and Wales), 1901, pp. 82-3.

² *Ibid.*, p. 82.

Councils a large number of aged men and women who are suffering only from the feeble-mindedness of senility, and who ought not properly to be certified to be of unsound mind. This result is due, in great measure, to the arbitrary separation of some classes of mentally defective persons from others; to the putting of some under the Lunacy Authorities and leaving others to be dealt with only by the Poor Law Authorities; and to the confining of the Grant in Aid to some only of these classes of the mentally defective whilst withholding it from others. On the other hand, where there is ample workhouse accommodation, the sum of 4s. had, even in 1908, when the asylum charges were still low, proved insufficient to bribe the Boards of Guardians to remove even those who are really lunatics or idiots from the General Mixed Workhouse. Especially in the country workhouses, where the actual expenditure per head on food and clothing was only 4s. or 5s. per week, there was, even counting the 4s. grant, still a considerable additional expenditure to the Union involved in sending the lunatic or idiot to the County Asylum, where the charge made to the Board of Guardians was usually about 12s. per week. Hence, as the Commissioners themselves saw in their visits, and as was testified by numerous witnesses, many lunatics and idiots are still, out of motives of mere parsimony, kept in the General Mixed Workhouse, where they mix freely with the other inmates, even with the children, where they are often the cause of annoyance, sleeplessness, and disgust to their associates, and where they themselves can neither be scientifically treated nor properly cared for. The number of certified lunatics and idiots in the General Mixed Workhouses even increased from 7,963 in 1859 to 11,151 in 1906. Owing to the insufficiency of its amount this grant of 4s. per head per week failed—and still fails—to get the ordinary Board of Guardians to see the necessity of doing anything more than “relieve the destitution” of the harmless lunatic or the village idiot, who accordingly remains in the General Mixed Workhouse, to his own hurt and the annoyance of the other inmates. Since the Great War, and the doubling of

the asylum charges, this failure is more than ever conspicuous.

The third defect of the Lunacy Grant is of another character. By a condition, for which it is difficult to see any reason at all, the grant of 4s. is only allowed in those cases in which the weekly cost of the lunatic's maintenance, *after deducting sums recovered from relatives, or otherwise*, is not less than this sum. The result is that if, as is usually the case, the asylum charge is, in 1920, from twenty to twenty-five shillings a week, a Board of Guardians is under no inducement to get relations to contribute more than 16s. to 21s. a week, as more than that will not benefit the Board of Guardians or the local ratepayer. Nay, more; if the relations pay a shilling or two per week more than will just leave 4s. to be borne by the Union, the Union will actually lose by their liberality, as it will have to bear the whole balance itself, and will not be able to draw the 4s. grant. The result is that the relations' contribution tends to be restricted as a maximum to what will just leave a balance of 4s. to be borne by the public. Every Guardian must have heard cases discussed by Boards of Guardians in which, for this very reason, the amount to be contributed by relations has been deliberately restricted. Incidentally, this course serves to maintain the stigma of pauperism in cases where the lunatic's estate or relations could furnish direct to the Asylums Committee the entire cost of maintenance. It is not generally known that, if this were done, the patient need no longer be classed as a "pauper lunatic."

It is accordingly clear that there is, on several grounds, the most urgent need for an alteration in the Lunacy Grant. And whilst the selection for a special Grant in Aid of the particular service of providing for certified lunatics and idiots has led to these equivocal results, no attempt has been made by the Ministry of Health so to arrange the Grants in Aid as to encourage other developments which the Local Government Board was, for several decades, pressing in vain on the Boards of Guardians. Whilst wishing devoutly to get the children out of the General Mixed Workhouses, the Local Government

Board (outside the Metropolis) made no suggestion that any Grant should be made dependent on the number of children more properly provided for. Whilst striving continuously to get the provision for the sick brought more up to the level of contemporary hospital administration, the Local Government Board (outside the Metropolis) made none of the Grants bear any proportion to the expenditure on Poor Law infirmaries, or the maintenance of the sick poor, nor made any of them conditional on the local arrangements for medical attendance and nursing attaining what its Inspectors report to be an adequate standard. The Ministry of Health has (1920) so far effected no improvement in these respects. The result, as the Royal Commission reported, is that a large proportion of Unions still fall, in these respects, deplorably short of even a decent provision. "I can only account," said Mr. Davy, Chief General Inspector to the Local Government Board as long ago as 1908, "for the fact that the Grant has been allowed to remain as it is by the fact that there are three bodies responsible for it; I mean to say the Home Office, the Lunacy Commissioners, and the Local Government Board . . . I think it can be demonstrated that it has resulted in a loss to the rate-payers."¹ This loss still continues.

(iii) *Giving Authority to Central Control.*

Let us now examine the Grants in Aid of the expenditure of the English Boards of Guardians from the point of view of securing, for the nation as a whole, its proper influence on the Local Authorities. What authority does this sum of two and a half millions annually give to the suggestions, criticisms, and orders made for the promotion of efficiency and economy by the Local Government Board (now the Ministry of Health)? The Royal Commission found that in practically the whole realm of Poor Law expenditure—in marked contrast with the practice of the Home Office with regard to the Police expenditure—no use was or had been made of the Grants in Aid as a

¹ Report of the Royal Commission on the Care and Control of the Feeble-minded, 1908, Vol. VIII, p. 283.

means of affording the much-needed additional strength to the directions of the Central Authority. In this important respect the existing Grants in Aid are—with the partial exception of the small sum in respect of teachers' salaries—entirely useless. The two fixed Grants (amounting to £1,350,000), and even the 4s. a week for lunatics and the trifling recoupment of school fees, are made in no way dependent on the Boards of Guardians fulfilling, as a whole, even their statutory obligations, let alone attending to any criticisms of the Local Government Board (now the Ministry of Health). A Board of Guardians may be flatly defying the Ministry of Health—refusing to build a Poor Law Infirmary, when the mortality in the overcrowded insanitary workhouse is excessive, retaining the children without segregation in the General Mixed Workhouse, giving or refusing Outdoor Relief against the whole spirit of the authoritative Orders, stinting the Medical Officer in salary and drugs, and appointing an altogether inadequate staff of nurses—and the Ministry of Health has, nevertheless, unquestioningly to watch a huge Grant being paid over, amounting often to half the total expenditure which is being thus incurred in the locality in defiance of its authoritative criticism and advice. Thus, the present Grants in Aid of the Boards of Guardians stand, in this respect, wholly condemned. There can be no justification whatever for the community as a whole having to provide this large proportion of the expenditure of Local Authorities who, as many Boards of Guardians do, deliberately and persistently disobey the instructions, or flout the authoritative recommendations of the Central Authority which Parliament has established in order to get carried out the policy decided on by the community as a whole. A locality that, to the detriment of efficiency, rebelliously insists on its own autonomy, should, at least, be left to bear its own burdens.

(B) *The Metropolis.*

In the Metropolis, the arrangements with regard to the Grants in Aid receivable by the Boards of Guardians are

even less satisfactory than elsewhere. In addition to the two fixed grants, and the 4s. grant for lunatics and the grant for teachers that we have described, the Metropolitan Boards of Guardians receive also what are, in effect, two additional Grants in Aid, by the operation of the Metropolitan Common Poor Fund and the existence of the Metropolitan Asylums Board. By the former arrangement, the cost of certain specified parts of the Poor Law administration in each Metropolitan Union (the salaries, etc., of officers, the net cost of lunatics in the country asylums, the maintenance of paupers other than children in the workhouse or infirmary to the extent of 5d. per day, the maintenance of children in Poor Law schools or "boarded out," the erection as well as the maintenance of the casual wards, and the whole cost of medicines and surgical appliances) was made chargeable to a common fund, which was provided annually by equal assessment according to the rateable value of each Union. This has a twofold effect. To every Union in the Metropolis, rich or poor, it amounts to the same thing as a Grant in Aid in respect of the particular services charged on the fund, each Board of Guardians being credited with more if it develops those particular services rather than other services. But as the fund is raised by precepts on all the Unions according to rateable value, the two-thirds of the Unions that are relatively poor receive an actual subvention of some £400,000 a year in aid of their general funds and in relief of their local rates. The total amount charged on the Common Poor Fund is now something like a couple of millions sterling annually, being one-third of the total expenditure in the Metropolis under the Poor Law. Much the same financial effect is produced by the existence of the Metropolitan Asylums Board, an independent Authority which maintains, not only asylums for pauper idiots, and schools for pauper children suffering from ringworm, ophthalmia, etc., but also, under the Public Health Acts, hospitals for infectious diseases, maintenance in which is now, by statute, not deemed Poor Law Relief. As the expenditure of the Metropolitan Asylums Board, about a couple of millions a year, is now,

in effect, all levied on the Unions in proportion to their rateable value, and not in proportion to the use that they severally make of its various institutions, these institutions are, in effect, open to Boards of Guardians gratuitously; that is to say, no Union and no Board of Guardians pays more because it sends more cases. Thus, to the extent that they relieve each particular Board of Guardians of the cost of maintaining pauper idiots, pauper children, or patients in the infectious diseases hospitals who would otherwise be paupers, the existence of these virtually free institutions is equivalent to a Grant in Aid, though at the expense of the London ratepayers generally, to that Board of Guardians for these particular services.

The effect of these elaborate, complicated, and very extensive Grants in Aid upon the finances of the Metropolitan Boards of Guardians can only be described as extraordinary. They amount, in the aggregate, to no less than 70 per cent. of the total Poor Law expenditure of the Metropolis.¹

(i) *The Relief to the Local Ratepayers.*

Taking the various Grants in Aid together, the relief thereby afforded to the local ratepayer in the different Unions varied in 1907-8 from as much as 3s. 5d. in the £ in St. George's-in-the-East, 2s. 4d. in the £ in Bethnal Green, over 2s. in the £ in Stepney, and 1s. 9d. in the £ in Poplar, down to practically nothing in Wandsworth and Hammersmith. On the other hand, the Grants in Aid to half a dozen of the Metropolitan Unions, whilst financially assisting certain forms of relief as compared with others, resulted (owing to the "equalization" provisions) in a positive increase of the Poor Rate, which involved an additional charge of a few pence in the pound, and in the City of London Union of as much as 7d. in the £. The Boards of Guardians of St. Saviour's, Southwark, St. Pancras, and Bethnal Green find themselves bearing locally less than a quarter of what (apart from their fixed quota to the Common Poor Fund) they themselves spend

¹ Evidence before Poor Law Commission, Appendix No. XXVIII (par. 57) to Vol. I.

in Poor Relief, whilst the Board of Guardians of the City of London Union bears a burden equal to the cost of all the Poor Relief that it dispenses. The Rate that has actually to be levied for the relief of the poor in the different Unions (in addition to a uniform 9d. in the £ for the Common Poor Fund, and 5d. in the £ for the Metropolitan Asylums Board) varies from less than 2d. in the £ in the Westminster Union and less than 4d. in the £ in the Paddington and Hampstead Unions, up to as much as 1s. 6d. in the £ in Hammersmith, and to as much as 2s. 6d. in the £ in Poplar—even after Poplar has been aided to the extent of 1s. 9d. in the £.

(ii) *Discrimination in Favour of Desirable Expenditure.*

Turning now to the influence exercised by these Grants in encouraging or discouraging particular services or forms of relief, we notice that the throwing upon the Metropolitan Common Poor Fund of the cost of all the Poor Law officers and 5d. per day per adult indoor pauper, including those in the Poor Law infirmaries, and the omission of any similar subvention to Outdoor Relief, afford a considerable encouragement to Indoor as compared with Outdoor Relief. Whatever may be thought of this result in the abstract, we cannot avoid the conclusion that it is largely due to this peculiar arrangement of the Grants in Aid that the Metropolitan Boards of Guardians have been induced to incur enormous expenses for the erection and maintenance of gigantic Workhouses and Poor Law infirmaries, and that the whole cost of Poor Relief in London, however computed—whether per pauper, per head of population, or per £ of rateable value—is proportionately far in excess of that incurred in any other part of the kingdom. Similarly the placing upon the Fund of the whole cost of maintenance of the Poor Law Schools, and refusing all subvention to children in the workhouse, whilst distinctly discouraging the retention of children in the General Mixed Workhouse, has greatly promoted the development in the Metropolitan Unions of the most costly of all the alternative methods

of providing for the children, namely, the residential school. It is a minor consequence of the arrangement of the Metropolitan Grants in Aid that they actually discourage the provision of proper accommodation for children who are sick. As the Poor Law infirmaries are technically workhouses, the establishment in these institutions of even the most ideal ward for sick children brings no Grant (because this is confined to adult paupers) whilst if the sick children are sent to, or retained in, the Poor Law residential schools, where they ought not to be, the whole of their cost is borne by the Common Fund. Finally, we may observe that the effects of the Grants in Aid in actually restricting the contributions of relatives, that we have already described outside the Metropolis in the case of the Lunacy Grant, *is seen in London to operate over the whole field of indoor pauperism*. Instead of allowing each Board of Guardians to retain, for the benefit of its own ratepayers, whatever sums could be recovered from relatives of paupers in the workhouses, Poor Law infirmaries and residential schools—which would seem to be the course most calculated to encourage the exaction of such contributions—all such contributions have now to be credited to the Common Poor Fund, in which the pecuniary interest of any particular Union is small and scarcely noticeable. The result, as the Royal Commission was informed, is to check the efforts that the Boards of Guardians might otherwise make to exact contributions where these ought to be paid. The throwing upon the Fund of the whole expense of the Casual Wards and of the relief of Vagrants has the effect of discouraging any particular Board of Guardians from attempting, by the maintenance of a strict regimen, to deter persons from applying to its Casual Ward; and at the same time does nothing to discourage any Board from maintaining so lax a regimen as to attract to its Casual Ward as many Vagrants as it will hold. The arrangements for persons of unsound mind amount, in effect, to relieving each Board of Guardians of the whole cost of this class of paupers, and throwing the cost upon London as a whole, provided they are sent, either as lunatics to the asylums of the London County

Council, or as imbeciles or idiots to those of the Metropolitan Asylums Board. There is, accordingly, a great encouragement to get these paupers (and any others whom the doctors can be induced to certify as of unsound mind) out of the workhouses, but no encouragement to any proper discrimination between those who should be sent to the institutions of the London County Council and those who should be sent to the institutions of the Metropolitan Asylums Board; with the result that, whilst all Metropolitan Boards of Guardians get what seems to be an unduly large proportion of their workhouse inmates certified as persons of unsound mind, some of them class these predominantly as lunatics and others predominantly as imbeciles or idiots. The relative proportion of persons of unsound mind who are "lunatics" and "idiots" respectively can hardly be markedly different in neighbouring Metropolitan Boroughs.

(iii) *Giving Authority to Central Control.*

On the most important point of all, the extent to which the Grants in Aid enable due control to be exercised over the expenditure, the position in the Metropolis is, with regard to one of the Grants, a shade better than elsewhere. The fact that the approval of the Ministry of Health is required to the charging of any item to the Common Poor Fund would seem, in theory, to give that Department an opportunity for exercising a really effective control over all the branches of expenditure charged to the Fund. So far as the matter is not governed by statute, it would seem as if, by refusing to sanction the charging to the Fund of officers' salaries otherwise than according to the scale which is prescribed, or of the cost of any Casual Ward not maintained in exact accordance with its regulations, or of the fivepence per day each for indoor adult paupers in any Workhouse that is overcrowded, the Ministry of Health ought to be able, in the Metropolis, to attach a sanction to its instructions and suggestions that is elsewhere lacking. The Royal Commission was not convinced that the Local Government Board had made the fullest use of the power which its control of the Metropo-

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litan Poor Fund afforded. When we learn that, however disobedient and recalcitrant during all these past forty years has been a Metropolitan Board of Guardians, however scandalously overcrowded and insanitary its Workhouse, however gross the scandal of its "barrack school," however harsh or however lavish its policy of Outdoor Relief, however lax its Casual Ward, however deficient its arrangements for the sick poor, *never once—as Sir Hugh Owen informed the Royal Commission,*¹ without apparently seeing how gravely he was condemning the whole system—*had the Local Government Board made use of the power entrusted to it by statute of declaring the Board of Guardians to be in default, and of withholding its share of the Common Poor Fund,* we can hardly avoid agreeing with the Royal Commission. Whether by reason of some defect in the regulations, or of some defect of organization in the Local Government Board itself, it is clear that practically no use was ever made of the potent instrument of Grants in Aid as a means of giving authority to the central control that, on paper, exists. On the other hand, the fact that so enormous a proportion of the expenditure of Metropolitan Boards of Guardians is borne otherwise than by the rates that they themselves impose, and that the conditions of most of the subventions received by them are so framed as to give no control to the Authority by which they are paid, will unquestionably have had an even greater effect in encouraging lavish expenditure than is elsewhere the case. The Ministry of Health has, so far, effected no improvement in this respect. On all counts, therefore, the present arrangements for the Grants in Aid of the Metropolitan Boards of Guardians—good as they were in their intention—must be condemned as nothing short of fantastic in their absurdities, and grossly inequitable in their results.

(c) *Scotland.*

The Grants in Aid of the Parish Councils in Scotland, which amount to £244,000 a year, or nearly one-fifth of the total expenditure connected with the Poor Law, are,

¹ Evidence before Poor Law Commission, Q. 14818-14820.

in many respects, analogous to those of Boards of Guardians in England and Wales.

GRANTS IN AID OF THE EXPENDITURE OF PARISH COUNCILS
IN SCOTLAND.

Grant.	Amount in 1907-8.
Fixed Grant to Parish Councils in respect of the deficiency in the Poor Rates arising from the operations of the Agricultural Rates (Scotland) Act, 1896	£58,500
Relief of Rates Grant (total fixed)	50,000
Poor Law Medical Relief Grant (total fixed)	20,000
Lunacy Grant (total fixed)	115,500
Total	£244,000

There is the same kind of fixed Grant in respect of the deficiency of revenue arising from the operation of the Agricultural Rates Act, a Grant which, as in England and Wales, is now essentially one in aid of the expenditure generally. There is a second Grant of £50,000 made in relief of the local rates, and distributed among the Parish Councils, and thereby differing from all the Grants in England, Wales, and Ireland, partly in proportion to their valuation and partly in proportion to their population. This, too, so far as any relation to the Parish Council expenditure is concerned, is a fixed Grant. There are two other Grants, now received, like those of England and Wales, out of the Local Taxation Account, which, though fixed in total for Scotland as a whole, are allotted among the Parish Councils in proportion to their expenditure on particular services. Thus, the Poor Law Medical Relief Grant of £20,000 a year is annually distributed among such Parish Councils as have complied with the prescribed regulations, which include the appointment of legally qualified medical officers at fixed salaries, and the expenditure of at least a prescribed minimum amount on Medical Relief. The Grant is distributed in such a way as first to

defray practically half the cost of the trained sick-nursing in Poorhouses, and then to be shared *pro rata* according to the total expenditure of the various parishes on Medical Relief. This comes, in effect, to a Grant to each Parish Council of about one-quarter of its expenditure on that service. Similarly, the Lunacy Grant, fixed at £115,500, is shared among all the Parish Councils *pro rata*, according to the total net expenditure incurred on the maintenance of pauper lunatics, not exceeding 8s. per week. This comes, in effect, to a Grant to each Parish Council of about two-fifths of its expenditure on pauper lunatics.

We have now to consider what is the result of this system of Grants in Aid of the expenditure of the Scottish Parish Councils, in the three ways of reducing the burden on the ratepayer, encouraging one service rather than another, and strengthening the influence for efficiency of the Central Authority.

(i) *The Relief to the Local Ratepayers.*

We note, to begin with, the same extraordinary diversity and inequality in the relief afforded to the local ratepayers as in England and Wales, but carried even to greater extremes, as Lord Balfour of Burleigh has pointed out.¹ "One Scottish parish may by some fortunate circumstance have within its boundaries an amount of rateable property out of all proportion to its needs, while another may be composed of property which represents a rateable capacity inadequate for the barest needs of civilization. For instance, the parish of Temple, in Midlothian, has a gross valuation of over £44 to each inhabitant, whilst Barvas, in Ross and Cromarty, has only 9s. per inhabitant, and a penny rate will, therefore, produce nearly 100 times as much per inhabitant in Temple as in Barvas." This inequality is frequently not mitigated, but actually increased, by the distribution of the subventions from the National Exchequer. To quote again Lord Balfour of Burleigh: "The parish of Ettrick, in Selkirk, which is almost wholly agricultural, has an assessable value of nearly £20 per inhabitant, and is, in this respect, one of

¹ Final Report of Local Taxation Commission (Scotland), 1902, p. 33.

the wealthiest parishes in Scotland. Its expenditure upon Poor Relief is equal to 9s. 4d. per inhabitant, an amount which is considerably above the average for the whole of Scotland, but which, owing to the high assessable value, would involve a rate of less than 6d. in the £, even if it received no assistance from central funds whatever. Notwithstanding these circumstances it receives Grants (including those under the Agricultural Rates, etc., Act) from the Local Taxation Account amounting in the aggregate to more than one-half of its expenditure, and representing 5s. 1d. per inhabitant—one of the largest amounts, if not the largest amount, throughout Scotland. Of the total it appears that about one-quarter, or 1s. 2d. per inhabitant, is derived from the ‘Grant in relief of parochial rates,’ and with this and the other Grants the Poor Rate is reduced to less than 3d. in the £.

“The parish of Old Monkland (Lanark), which is partly within the burgh of Coatbridge, has less than one-quarter of the assessable value per inhabitant possessed by Ettrick, and administers its Poor Relief much more economically, having an expenditure equal to only 4s. 2d. per inhabitant, or less than one-half of the amount spent in Ettrick. But notwithstanding the more restricted resources and greater economy in Old Monkland, the parish only receives Grants amounting to 8d. per inhabitant, a sum which is only just over one-half of the amount granted to Ettrick under the head of ‘relief of rates’ alone, and is left with a rate of 8½d. in the £.”

Since 1902, the date of Lord Balfour of Burleigh’s Report, the inequalities seem to have become even more extreme. There are scores of parishes in Scotland to-day in which the result of the Government Grants, quite irrespective of parish property or “mortifications,” church collections or voluntary contributions, is to relieve the local ratepayer of more than one-half of the burden of Poor Relief—in a few cases going so far as to enable a Poor Rate on occupiers to be entirely dispensed with. On the other hand, the ratepayers of the little parish of Glendevon (Perthshire) only got, in 1906-7, £1 in Government Grants towards their expenditure of £32 ;

those of Stranraer (Wigtownshire) only £126 towards an expenditure of £1,283; those of Blantyre (Lanarkshire) only £492 towards an expenditure of £4,720; whilst those of Glasgow, Leith, and Aberdeen on the one hand, and Polwarth (Berwickshire), Dalziel (Lanarkshire), and Kirkintilloch (Dumbartonshire) on the other, found themselves relieved only to the extent of one-seventh or one-eighth of their respective burdens. As a consequence it may occasionally happen that in a particular year, a fortunate Parish Council may need to levy no Poor Rates at all, either on owners or occupiers, as was actually the case with the Dunsyre (Lanarkshire) Parish Council, though without either "mortifications" or voluntary collections, in 1906-7, whilst nine other parishes had no rate on occupiers and only a fraction of a penny on owners; and whilst hundreds of other parishes found their Poor Rates reduced to only a few farthings or a few pence in the £, the Parish Council of Barra (Inverness-shire) had a Poor Rate of 9s. 6d. in the £ (4s. 2d. on owners and 5s. 4d. on occupiers); that of Lochs (Ross and Cromarty) one of 12s. 3d. in the £ (5s. 9d. on owners and 6s. 6d. on occupiers); that of Barvas in the same county one of 13s. 8d. in the £ (5s. 8d. on owners and 8s. on occupiers).¹ Such stupendous inequalities, dependent as they are on the assessable value of the parishes, bear no relation to the relative population, area, or industrial character of the parish—still less to the economy or efficiency of the Parish Council—and need only be stated to be condemned. They still continue.

(ii) *Discrimination in Favour of Desirable Expenditure.*

With regard to the encouragement of particular services or particular forms of relief rather than others, we may note that, in Scotland, a much larger proportion of the total Grants in Aid of the expenditure of the Parish Councils is framed so as to achieve this end than is the case with the Boards of Guardians in England and Wales. Of the total sum of £244,000, more than half is accounted for by the Lunacy Grant of £115,500 and the Medical

¹ Thirteenth Annual Report of Local Government Board for Scotland, Cd. 4142, 1907, pp. 153-193.

Relief Grant of £20,000. The Lunacy Grant, which began in 1875, is so framed as to encourage the certification of paupers as being of unsound mind, as the larger the proportion of lunatics among its paupers, the larger is the Grant in Aid that the Parish Council receives. It is not without significance that the lunatic poor, who, between 1868 and 1875, had remained nearly stationary at between 1.8 and 1.9 per 1,000 of the population, have, since the year in which the Lunacy Grant was first payable, increased by leaps and bounds, the proportion rising from 1.9 in 1875 to no fewer than 3.1 in 1907 per 1,000 of the population. Whereas in 1875 only 64 out of every 1,000 paupers were certified as of unsound mind, there were in 1907 no fewer than 139 out of every 1,000 so certified.¹ This Lunacy Grant is not, as it is in England and Wales, payable only for such persons of unsound mind as are maintained in lunatic asylums, but is payable for all persons of unsound mind maintained by the Parish Councils, whether in asylums, in poorhouses, or "boarded out," with regard to whom the General Board of Lunacy are satisfied that proper care and treatment are afforded. Notwithstanding this payment of the Lunacy Grant for lunatics still retained in the General Mixed Poorhouse, to which there is so much objection, we must, in fairness, record that the General Board of Lunacy insists on there being separate "licensed wards," and that a much smaller proportion than in England and Wales of the pauper lunatics—in fact, only 782 out of the 15,031—were in 1907 so retained in Scotland, partly, perhaps, because 2,771 are "boarded out." We may entirely accept the official testimony that "the result of the Grant," under the watchful supervision and the incessant suggestions for amendment of the General Board of Lunacy, "has been a great improvement in the care of the insane." But as a principle of public administration it seems objectionable that, owing to the selection of this one section of the pauper host for a heavy Grant in Aid, there should be so great a temptation offered to Parish Councils to get poor persons certified as of unsound mind.

¹ *Ibid.*, p. xi.

The Medical Relief Grant has less equivocal features. Here, indeed, as in the English Police Grant, we have an example of a Grant in Aid operating—because framed upon sensible lines—in such a way as enormously to increase the efficiency of the service selected for encouragement. By means of the deliberately contrived scale of minimum expenditure on the medical service, as well as the requirement (which had not been embodied in any statute as to Poor Relief) that there should be a salaried doctor, which alone entitled a Parish Council to participate in the Grant, its distribution was prevented from being merely a dole to the ratepayer. By making the Grant to each Parish Council, not in proportion to its population or valuation but directly proportionate to its own actual expenditure on Medical Relief, with an additional bonus for the provision of trained sick nursing in the Poorhouses, the Central Authority effected “an immediate and lasting improvement in the administration of Poor Law Medical Relief, outdoor and indoor,” from one end of Scotland to another. “By means of the Grant, a system of trained sick nursing has been established in Poorhouses; schools of training Poor Law nurses have come into existence; and recently the system has culminated in State Certification of Poorhouse nurses after three years’ training and a high-class examination. The whole system of Indoor Medical Relief has thus been greatly improved.” It is interesting to find the Local Government Board for Scotland itself making it a matter for congratulation—very natural, if rather prematurely optimistic—“that the best Poorhouse sick wards are now as well staffed as the wards of any first-class general hospital.”

Unfortunately, the Medical Relief Grant has one accidental defect. In 1889, when this Grant was, with others, merged in the Local Taxation Account, it was provided that it should be distributed according to the scale and regulations then in force. This statutory enactment—plainly due to official ignorance on the subject of Grants in Aid—has had the unintended effect of stereotyping the regulations of thirty years ago, so that certain parishes are now unfairly excluded from participation in

the Grant, and, moreover, it has not been possible to enlarge its scope so as to encourage such new developments as salaried nurses for the outdoor poor and probationer nurses in the Poorhouses, or to amend certain technical defects which experience has revealed. What is required is merely to enable the Local Government Board for Scotland to revise the scale and the regulations from time to time.¹ It is characteristic of the paralysis that has crept over British Government that this has not been done:

It is to be regretted that in no branch of the Scottish Poor Law other than Lunacy and Medical Relief have the Grants in Aid been made to work an equally beneficent improvement. Thus, there is no financial encouragement to the Scottish Parish Councils, as there is to the London Boards of Guardians, to provide for their pauper children otherwise than in the General Mixed Workhouse or Poorhouse. The result is that notwithstanding the prevalent belief that Scottish pauper children are nearly all "boarded out," there are to be found in the poorhouses of Scotland at any time a very large proportion of children under 16, numbering, indeed, on March 31st, 1906, no fewer than 1,845; whilst in London, with a greater population and a greater amount of pauperism, but under the operation of financial encouragement of the removal of children from the workhouse, there were on March 31st, 1906, only 174 children under 16 in the workhouses (other than sick), and only 965 in the sick wards of workhouses, making only 1,139 in the General Mixed Workhouses altogether. On December 31st, 1919, after thirteen years' professions of reform, and amid a great reduction of the total pauper population, there were still no fewer than 1,261 children under 16 in the Scottish poorhouses; whilst the number in the London workhouses was only 523, of whom only 103 were over 3 years of age.

(iii) *Giving Authority to Central Control.*

Passing now to the third effect of Grants in Aid, the extent to which they strengthen, in the interests of

¹ As to the Medical Relief Grant see Report of Departmental Committee . . . on Poor Law Medical Relief (Scotland), Cd. 2022, 1904; Final Report of Local Taxation Commission (Scotland), Cd. 1067, 1902, pp. 15-18.

efficiency and economy, the influence of the Central Authority, we need add little to what we have already said. Half the total Grants are, as we have seen, flung out in such a way as to do nothing to improve the relationship of the Local Government Board for Scotland with the Parish Councils. The Lunacy Grants give the Central Board of Lunacy the power to see that the care and treatment of the pauper lunatics are up to a minimum standard, and thus lend a certain amount of weight to its criticisms and suggestions. The Medical Relief Grant has enabled the Local Government Board to get a salaried Medical Officer appointed to attend to the poor of nearly every parish, and to get trained nurses appointed in many poor-houses, including all the larger ones, but the accidental stereotyping of the regulations of 1889 has prevented the making of further requirements. But, for the most part, the beneficent influence of these Grants has operated automatically from the conditions under which they are payable, rather than from any increased weight that they have given to the influence of the Central Authority.

(D) *Ireland.*

GRANTS IN AID OF THE EXPENDITURE OF BOARDS OF GUARDIANS
IN IRELAND.

Grant.	1907-8.
Fixed (Agriculture) Grant to Boards of Guardians in respect of the deficiency arising from the operation of Clause 48 of the Local Government (Ireland) Act, 1898 ...	£316,731
One-half of Estate Duty Grant (Sec. 3 of Probate Duties (Scotland and Ireland) Act, 1888); total not varying in any way dependent on Boards of Guardians, and allocation among Unions fixed on basis of 1886-7	126,055
Medical and Educational Salaries Grant ...	85,996
Total	£528,782

The Grants in Aid of the expenditure of Boards of Guardians in Ireland, which amount to £528,000 a year,

being no less than 40 per cent. of the total expenditure, offer few points of difference from those in England and Scotland.

There is the same kind of fixed Grant in respect of the deficiency caused by the relief afforded to the owner of agricultural land, a Grant which, as in Great Britain, is now essentially one in aid of expenditure generally. There is a second Grant in Aid of expenditure generally, varying in total amount according to the yield of the Estate Duties, but in no way dependent on any action of the Board of Guardians, and allocated among the various Unions in a ratio that was fixed, once for all, in 1886-7, and has now ceased to bear any relation to the relative expenditures. These two Grants, amounting to no less than £442,786, have thus the effect of lump sum subventions in aid of the local expenditure. The third Grant, that in aid of medical and educational salaries, is now limited in total; but, as with the Medical and Lunacy Grants in Scotland, this fixed maximum sum is allocated among the Boards of Guardians in proportion, to some extent, dependent on their own expenditure. The Boards of Guardians may claim for recoupment one-half the duly approved salaries of their medical officers of workhouses and dispensaries; one-half the cost of medicines and of medical and surgical appliances, obtained in accordance with the regulations; half the salary of one trained nurse in each workhouse; one-half the remuneration of substitutes of doctors or nurses absent on vacation; and the whole of the duly approved salaries of schoolmasters and schoolmistresses in workhouses. But, by a provision of the Local Government (Ireland) Act of 1902, the maximum sum to be received by any Board of Guardians under these heads was fixed at what it actually paid under these heads in 1901-2, so that an enterprising Board, which had then already attained the low minimum standard imposed, may presently find that it has little or no financial encouragement to effect further improvements. Moreover, under the Local Government (Ireland) Act of 1898, it was provided that if the total sum provided for this Grant proved insufficient to meet the claims, the Grants payable to each

Union were to be proportionately abated. This, in fact, happens now every year, so that the amounts payable to each Union (like the Scotch Medical and Lunacy Grants) bear each year a smaller proportion to the Guardians' expenditure on the services which it was desired to encourage. It should be added that the maintenance of persons of unsound mind in lunatic asylums is, in Ireland, entirely divorced from the Poor Law and from pauperism. There is a Grant of £160,000 made direct to the County Councils in aid of this service at the rate of 4s. per week per lunatic, or one-half the net cost if this is a smaller amount.

(i) *The Relief to the Local Ratepayers.*

Coming now to the results of these Grants in Aid of the expenditure of the Irish Board of Guardians, we find them, in respect alike of the relief to the ratepayer, of the encouragement of particular services, and of the strengthening of the influence for efficiency of the Central Authority, almost exactly parallel with what we have already described for England and Scotland. There are the same heedless inequalities in the extent of the relief afforded to the ratepayers of different Unions, entirely irrespective of their circumstances; whether the test be population, area, poverty, amount of pauperism, efficiency of service, or economy of administration. These inequalities between the relief thus afforded to the Irish occupiers appear all the more inexcusable when we realize that it is the unfortunate districts of the West, where it may almost be said that chronic starvation often prevails, which are most unfairly dealt with. Throughout the whole of Ireland the Government Grants are arranged almost as if it had been deliberately designed that those districts which needed help most should receive the least assistance, whilst those which required the least aid had this aid heaped upon them in profusion. The Poor Law Commission Report gives us the following instructive table of figures for six of the richest and six of the poorest Unions in Ireland¹ :

¹ Report of Royal Commission on the Poor Laws, etc., 1909, Majority Report.

Union.	County.	Death Duty Grant, 1906-7.	Medical and Teachers' Grant, 1906-7.	Agricultural Rates' Grant, 1906-7.	Total Grants in Aid, 1906-7.	Population, 1901.	Valuation, 1906.	Valuation per Head.	Grants per Head.
		£	£	£	£		£	£ s. d.	s. d.
Dunshaughlin	Meath ..	399	332	2,383	3,114	7,979	105,242	13 4 0	7 9
Trim ..	Meath ..	485	408	3,568	4,461	13,973	109,054	7 16 0	6 4
Celbridge ..	Kildare ..	579	456	2,122	3,157	14,225	106,057	7 9 0	4 5
Delvin ..	Westmeath	316	250	1,717	2,283	8,477	53,200	6 6 0	5 4
Croom ..	Limerick..	597	402	2,677	3,676	10,806	63,836	5 18 0	6 9
Kilmallock	Limerick	1,477	757	6,104	8,338	25,551	140,273	5 10 0	6 1
Glenties ..	Donegal ..	669	539	1,059	2,267	33,191	22,314	0 13 0	1 4
Dunfanaghy	Donegal ..	364	194	392	850	15,781	12,036	0 15 0	1 0
Belmullet ..	Mayo ..	504	304	765	1,573	13,845	10,942	0 16 0	2 3
Oughterard	Galway ..	393	366	921	1,680	17,732	16,053	0 18 0	1 10
Swineford	Mayo ..	758	490	2,123	3,371	44,162	42,374	0 19 0	1 6
Clifden ..	Galway ..	507	370	1,020	1,897	18,768	19,010	1 0 0	2 0

We learn, therefore, that in the Dunshaughlin Union, amid the rich grazing lands of Meath, where the valuation amounts to no less than £13 4s. per head of population, the Government relieves the occupier from his burden of local expenditure to the extent of as much as 7s. 9d. per head. In the Dunfanaghy Union, amid the bare rocks of Donegal, the Government relieves the occupier of his local burden to the extent of no more than 1s. per head. There are unfortunate Unions in the West, in which even the bulk of the inhabitants are often unable to earn a living (such as Glenties, Swineford, and Caherciveen) where the total of Government Grants in Aid of the expenditure of the Board of Guardians on Poor Relief does not amount to a third of its cost—these Unions being aided no more than is flourishing Belfast. On the other hand, in some of the districts of Ireland where the valuation per head is highest (such as Dunshaughlin, Delvin, Croom, and Celbridge), the fortunate Board of Guardians finds that it has to bear only one-fifth of the amount that it chooses to spend. Nor have these enormous inequalities any relation to the policy, to the efficiency, or to the extravagance of the different Boards. Among the Unions where pauperism is relatively high, and the numbers on Outdoor Relief are most considerable, we find the names of those (such as Kilmallock, Navan, and Croom) in which the

Government Grant is relatively the largest. The result is that whereas some Unions, richly endowed by the Government Grant, and spending in Poor Relief two or three times the average for the whole country, escape, whatever their extravagance, with a Poor Rate on occupiers of 6d. or 8d. in the £; others—by what seems almost like a bitter irony—those where the soil is poorest, have (like Belmullet and Dingle) to bear a burden, notwithstanding a starved administration costing only a third or a fourth as much per head as that of some other Unions, of between 3s. and 4s. in the £. It is difficult to see any excuse for the continuance of so anomalous and so unfair a distribution of the Government Grants, to which pointed attention was called in 1902 by Lord Balfour of Burleigh, Sir E. W. Hamilton, and Sir G. Murray, without any reform being effected; to which renewed attention was called by the Vice-Regal Commission on Poor Law Reform in Ireland in 1906; and to which the Royal Commission on the Poor Laws referred in scathing terms in 1909.¹ It still continues.

(ii) *Discrimination in Favour of Desirable Expenditure.*

In the matter of the encouragement of particular services, the expansion of which is considered desirable, the Grants in Aid of the expenditure of the Irish Boards of Guardians are so arranged as to have the very minimum of effect. Four-fifths of the sum thus paid by the Government has no such discriminating effect at all. The remaining fifth—the Medical and Teachers' Grant—had originally a considerable influence in the improvement of the Medical and Educational staffs of the Union. But owing to what seems to have been a wholly mischievous change in 1902—again due to what seems invincible ignorance as to the nature of Grants in Aid—when the expenditure of that year was stereotyped as the limit of the Grant which no Union might hereafter exceed, however much it subsequently developed its medical and educa-

¹ Report of Vice-Regal Commission on Poor Law Reform in Ireland, 1906, Vol. I, p. 68; Final Report (Ireland) of Local Taxation Commission, Cd. 1068, 1902, pp. 24-27; Minority Report of Poor Law Commission, 1909, p. 339.

tional services, the beneficial effect of the Grant in this respect has diminished, though it still serves as a stimulus to prevent the most backward Unions from sinking below the minimum. There is no financial encouragement given to the Irish Boards of Guardians to provide for their pauper children otherwise than in the General Mixed Workhouse, where they are usually taught as well as boarded and lodged; there is, for instance, no Grant paid in respect of children boarded out or placed in certified schools; there is no financial encouragement to them to provide more than the minimum of nursing in the workhouse; there is no financial encouragement to them to give relief to the sick, the widows, or the aged and infirm in one way rather than another.

(iii) *Giving Authority to Central Control.*

On the last, and in some ways, the most important, feature of Grants in Aid, the extent to which they are arranged so as to strengthen the influence for efficiency of the Central Authority, the Grants to the Irish Boards of Guardians are always wholly useless. Four-fifths of the Grants are made unconditionally in lump sums. Thus, an Irish Board of Guardians may go to the utmost limit of contumacy; it may violate in the spirit, if not actually in the letter, all the commands of the law, and all the injunctions of the Local Government Board for Ireland; it may be as extravagant in its expenditure and foolishly lavish in its Outdoor Relief as it chooses; it may set at naught all the advice of the Inspectors; its members may be grossly partial, politically biassed and virtually corrupt in their administration—nevertheless the Local Government Board for Ireland must, by law, unquestioningly hand out, year after year, the funds which provide one-third or one-half of what the Guardians are playing with. Such a position needs only to be stated to be condemned. Nor is the matter much better with regard to the remaining fifth of the total Grants, that in aid of the medical and educational salaries, etc. Here the conditions secure that the initial appointments and the salaries shall have had the approval of the Local Government Board, and

that the medicines, etc., shall have been procured in accordance with its regulations. But the Grant is not in any way dependent on the efficiency of either the medical service or the workhouse school. The doctor may have got very old or taken to drink; the teacher in the workhouse school may have got worn out in the service and be utterly incapable of keeping the school apace with educational progress—nevertheless the Local Government Board for Ireland must go on paying the Guardians the Grant towards the salaries of officers whom its Inspectors report to have become wholly inefficient. A more glaring example of the ignorance and heedlessness of “Castle administration” which British “ascendancy” imposes on Ireland could hardly be found.

V

THE GRANTS IN AID OF THE LOCAL EDUCATION AUTHORITIES

THE Grants in Aid of the work of the Local Education Authorities deserve separate attention, if only for their magnitude, and for the fact that they have, for the most part, been left outside the Local Taxation Account. As the Education Grants even in 1888 amounted to more than all the rest of the subventions put together, it is plain that their exclusion from the Goschen arrangements condemned these, from the outset, to futility. Beginning, in 1833, with the modest building Grant of £20,000, made almost unconditionally to certain voluntary agencies, the total of these Grants (including all sorts of education subventions, and Scotland and Ireland) now reaches, as far as I can make out, about fifty millions sterling annually, and is steadily increasing.

We deal first with England and Wales, in which the total Grants in Aid of Local Education Authorities amounted in 1911 to over fourteen millions annually, and in 1920-21 to over forty millions. Their most obvious drawback is their extraordinary complexity and lack of uniformity of basis.¹

The Grants which make up the bulk of this vast sum were, in England and Wales, down to 1919 known respectively as :

- (a) the Annual Grant;
- (b) the Fee Grant; and
- (c) the Aid Grant.

¹ Most information will be found in the admirable "Memorandum and Tables on Education Grants," published by the London County Council (No. 1217 of 1908). For their early history, see Kay Shuttleworth's *Four Periods*; and Craik's *The State in Relation to Education*.

These Grants were calculated in different ways, with many minor complications.

The Annual Grant was paid under the Code, and was based on the average attendance of all scholars whose attendances are recognized by the Board of Education. The rate of Grant was latterly 22s. for each unit of average attendance, except in an Infants' Department, or an Infants' Division in which the average attendance exceeded 20; in these cases the Grant was at the rate of 17s. per scholar. The Grant was subject to reductions, which did not ordinarily exceed 3s. per scholar. The Grant amounted, on the whole, to an average rate of about 20s. 6d. per scholar, or about a penny per day per child. Thus the Local Education Authorities had a direct pecuniary interest, not only in getting as many children to school as possible, but also in getting them to attend as regularly as possible.

The Fee Grant was paid under the Elementary Education Act, 1891. It was, like the Annual Grant, based on the average attendance, and was at the rate of 10s. per scholar; but attendances made by scholars above 15 years of age were not allowed to be counted for the Grant. The receipt of the Grant imposed certain restrictions on the charging of fees, and a few schools therefore declined the Grant, preferring to charge a substantial fee. There were about eighty such schools in 1911, but their number was then diminishing. In most of the schools receiving the Grant, no fees at all were charged; but where fees were charged the Grant might be subject to deduction if the total amount of the fees so charged had exceeded a certain limit. This limit generally depended on the circumstances of the school in 1890, and therefore was different for each school. This Grant operated as a bribe to making the schools free.

The Aid Grant was paid under Section 10 of the Act of 1902, and consisted of two parts, viz. :

(a) A fixed Grant of 4s. per scholar in average attendance ;

(b) A variable Grant of 1½d. per scholar for every

2d. by which the produce of a 1d. rate fell short of 10s. per scholar.

Thus the Grant depended partly on the average attendance, and partly on the produce of a 1d. rate; and the rate of Grant per scholar was higher or lower according as the sum found by dividing the produce of a 1d. rate by the number of scholars was lower or higher. The average rate of Grant was about 9s. 4d. per scholar. The Grant was subject to a reduction if the amount to be raised for Elementary Education would, but for that reduction, be less than the sum that would be produced by a 3d. rate.

There were curious differences between these Grants as regards the method and date of payment. The Annual Grant and Fee Grant were Grants in respect of schools, and the Grants in respect of each school depended on the average attendance during the school year, while the date of payment depended on the date at which the school year ends. An Authority which had schools with different school years therefore received payments in respect of Annual Grant and Fee Grant at various dates throughout the year. The Aid Grant was a single Grant, paid for and during the Financial Year ending March 31st, and based on the total average attendance of all schools within the area of each Authority. The average attendance on which Aid Grant was paid during any Financial Year was generally different from the average attendance on which Annual Grant was paid during the same year, and, if there were scholars above the age of 15, the average attendance on which Fee Grant was calculated was different from either of them. Thus, by what seemed to be a quite unnecessary complication, the three Grants in question were paid on at least three different figures of average attendance, and the total rate of Grant payable could not be determined by simply adding together the rates of Grant under each head. Not until 1918 was anything done to reduce these complications, when the Annual Grant and the Fee Grant were merged in the new Maintenance Grant.

But we have not yet done with the complications. In addition to the Grants mentioned above, there were

other Grants paid by the Board of Education, to the same Local Education Authorities, under quite different conditions and at quite different rates. The chief of these was the Small Population Grant, which amounted to £85,000 per annum. It was paid under Acts passed in 1876 and 1880, and consisted of a special Grant of £10, £20, or £25 per school in accordance with the smallness of the population in a given parish, or within a distance of two miles measured according to the nearest road from the school. It afforded quite a substantial contribution per child, amounting, in about half the counties, to over 1s. per head. In some half-dozen counties it yielded 2s., and in two or three (but these were mostly small areas) from 3s. to 4s., and in Radnor 5s. 4d. per unit of average attendance. The object of this Grant was to meet the increased burden of maintaining schools in thinly populated areas, and although it was, as a matter of convenience, paid as part of the Annual Grant, it depended upon different conditions, and was separately calculated, and was in effect an Aid Grant to the Authorities of county areas. This Grant must be considered an arbitrary attempt to counteract, to some small extent, the unfair inequalities produced by the other Grants. There were obvious objections to such a method of proceeding, based partly on the troublesome and unsatisfactory nature of the evidence required to substantiate claims for this special Grant, and partly upon its tendency to continue the separate existence of schools which, upon educational grounds, might well be merged with others.

Then there were Grants for Cookery, Laundry work, Dairy work, Household Management, and Handicraft, which amounted to £100,000 a year, and were given each on its own set of complicated conditions.

The Grants to Schools for Defective and Epileptic Children amounted to £27,000, those to Schools for Blind and Deaf Children to £21,000, and those to Higher Elementary Schools to £26,000 per annum, again with their own complicated methods of allocation.

The total of these small Grants was as under :

Small Population Grants	...	...	£85,000
Special Subjects (Cookery, etc.)	...	...	100,000
Defective and Epileptic Schools	...	...	27,000
Blind and Deaf Schools	...	...	21,000
Higher Elementary Schools	...	...	26,000
<hr/>			
Total	...	...	£259,000

This was less than 2 per cent. of the total Grants in Aid to the Local Education Authorities of England and Wales.

There is still another Grant to be mentioned, called the Necessitous Schools Grant, introduced in 1906-7, for the temporary relief of West Ham and a few other highly rated areas, and continued year by year with certain perplexing changes at different dates. This was computed on a certain arbitrary basis of child attendance and rateable value, deliberately in order to afford to these few districts a certain measure of mitigation of the extreme inequalities resulting from the operation of all the other Grants, without in any way altering the basis of these Grants.

We must here again mention the Grant of a variable sum (£820,469 in 1908-9), allocated specifically to education other than elementary, paid out of the Local Taxation Account as the proceeds of certain increased duties on beer and spirits (the "whisky money"). This annually variable sum was allocated among the Local Authorities in an entirely different way from that of all the other Education Grants, each Local Authority receiving a definitely fixed quota of the aggregate for the year, this consequently tending to mitigate or neutralize whatever effect the other Grants were designed to produce. How exactly the allocation took place no one understands, but it is believed still to depend upon some basis more or less arbitrarily arrived at in 1891, and never since varied.

To this must be added the subventions paid by the Board of Education, under separate and varying conditions in each case, towards the cost of evening schools,

student teachers, secondary schools, training colleges, the building of new colleges and hostels, and all the heterogeneous Grants for science, art, and technology classes and scholarships.

Finally there were the Education Grants paid, in some cases to the same Local Education Authorities, through non-educational Central Departments, the £208,214 payable at the instance of the Home Office towards Industrial and Reformatory Schools; the £24,946 payable at the instance of the Local Government Board in respect of the salaries of teachers in Poor Law schools, etc.; and the £100,000 (subsequently greatly increased) payable at the instance of a Treasury Committee in aid of the Universities (apart from Oxford and Cambridge) and University Colleges, including those under municipal control.

So complicated a system of Grants in Aid of education had, of course, been gradually evolved, without any Minister of Education ever having had the courage or the opportunity to place this enormous annual subvention on any scientific, or even any consistent, basis. The three principal Grants, amounting together to 95 per cent. of the whole payments in respect of elementary education, were themselves the gradual outgrowths of varying circumstances. The Annual Grant was itself an amalgamation of various smaller Grants given for varying purposes and in varying amounts under successive Codes. The Fee Grant and Aid Grant were determined by the exact wording of the statutes of 1890 and 1902, and not by the annually revised Code. The Fee Grant was necessarily distinct from other Grants, since the conditions under which it could be paid, reduced, or withheld were different from those applicable to other Grants. The Aid Grant, which dated from 1902, replaced certain special Grants provided by the Acts of 1870 and 1897, the payment of which was not considered to be suited to the new conditions introduced in 1902. The Grant under the Act of 1870 was limited in its effect to certain areas, no Grant being payable where the produce of a 1d. rate exceeded a certain amount per scholar. This Grant was increased in 1897 and became payable to a larger number

of areas. The basis of the latter Grant was complicated, as it depended partly on the average attendance, partly on the produce of a 1d. rate, and partly on the actual rate raised during the year. The Aid Grant of 1902 included all areas, and the variation in the rates of Grant was very much less.

Indeed, it cannot be said that much regard had been paid to preventing inequality of local burden. The principle of a Grant designed to assist heavily rated districts is found in the Acts of 1870 and 1897, but the effect of both these Acts was practically swept away by Section 10 of the Act of 1902. This section appears to rest upon the same principles as those of the earlier Acts, but the basis of relief is so wide that every Education Authority is included, and although the Grant was a variable one, the highest proportion did not necessarily, even if it may incidentally, reach the poorest localities.

The outcome of the whole system was, accordingly, a very great inequality between district and district. We may show this without citing the extreme cases.

There were in 1906-7 157 Authorities with rates under 10d., including fifty counties, thirteen county boroughs, seventy-nine boroughs, and fifteen urban districts; and the total of the rates amounted to £2,542,000. These Authorities received Grants amounting to £4,559,000, so that the proportion of expenditure borne locally by them was 35.6 per cent., and the total cost of education in these areas was £3 3s. per unit of the average attendance, which is 2,253,734. In considering these figures, it must be remembered that they are averages, and that the counties include such places as Durham, where the total cost was £2 16s. 10d. per scholar, out of which the locality paid only 16s. 10d., or 30 per cent., and Middlesex, where the cost per scholar was £3 12s. 2d., of which £1 18s. 8d., or 53 per cent., was raised locally. Still greater inequalities occurred in the boroughs.

There were in 1906-7 ninety-seven Authorities whose rates ranged between 10d. and 1s. 3d., including ten counties, thirty-eight county boroughs, thirty-eight boroughs, and eleven urban districts. The total raised

locally by these Authorities was £2,438,000, and this amounted to 46.2 per cent. of the total cost. The Grants amounted to £2,841,000, or 53.8 per cent. of the expenditure, which averaged £3 14s. 9d. per scholar on the 1,411,561 in average attendance. The counties in this section include Stafford, where the average cost was £3 5s. 3d., and Surrey, where it was £4 3s. 8d.; the county boroughs included Dudley with an average of £2 18s. 4d., and Hastings with £5 5s. 2d.; and the non-county boroughs included Hornsey with £6 17s. 6d.

There were seventy-one Authorities whose rates were, in 1906-7, over 1s. 3d., including three counties, twenty-one county boroughs, twenty-one boroughs, and twenty-six urban districts. London was included in the counties, and the other areas comprised East and West Ham and all the highly rated districts. Here the total amount raised locally was £4,772,688 against £3,210,963, or 40.2 per cent. of Grants. The proportion raised by rates was thus nearly 60 per cent. The average cost per scholar was £4 18s. 9d., on an average attendance of 1,616,642. In London the cost per scholar was £5 18s. 3d., towards which only £1 7s. 11d. was paid in Grants, so that £4 0s. 4d., or 67.9 per cent. was raised locally. In West Ham the total average cost per scholar was £4 18s., or for a family of three £14 14s., which was more than the total rates collected from the average house in the borough to meet all the services of Local Government. Other towns with high rates for elementary education were Aberdare, Aston, Barry, Bilston, Burslem, Carlisle, Chesterfield, Ebbw Vale, Edmonton, Halifax, Handsworth, Kettering, Merthyr Tydvil, Norwich, Oldham, Pontypridd, Tottenham, West Hartlepool, and Wolverhampton, in all of which the burden was either nearly 2s. in the £ or above that figure. On the other hand no county (except the Scilly Isles) paid more than 1s. 2d. in the £, and Herefordshire paid only 4½d.

We may, however, recognize in the Education Grants, with all their complications and with all their failure to promote a proper equalization of burden, some marked superiorities over the Poor Law Grants. The greater part

of the Education Grants were, at least, not mere doles, fixed in amount, flung at the Local Authorities whether their services are performed or not, and irrespective of the amount of work done. With the exception of the anomalous "whisky money," the Education Grants were, in England and Wales, all conditioned on the schools being maintained in efficiency, and they were accordingly liable to be withheld or reduced if the Minister for Education thinks fit. They were, moreover, for the most part, made to vary roughly with the amount of work done, either by being made dependent on the number of children in average attendance, or on the provision of schools without fee, or of schools for special classes, or of instruction in special subjects, or else on the building of new schools, training colleges, hostels, etc. In this way they not only gave authority to central control, but also stimulated and promoted expenditure in the particular ways thought desirable, rather than in other ways. All this was to the good. The example of the Education Grants shows us, indeed, how potent is the instrument of the properly devised Grant in Aid in securing the real enforcement of the "National Minimum." How otherwise could we practically have secured, in every part of Great Britain, a reasonably efficient free school within reach of every boy and girl? How otherwise could we have got every Local Authority to enforce even a reasonable regularity of attendance? How otherwise could we have attained the steady rise in this "National Minimum" which the past fifty years have witnessed? Unfortunately, the lever of the Grant in Aid was long lacking with regard to medical inspection and treatment; with regard to the enforcement by the Local Education Authorities of the provisions in the Children Act relating to children of school age; with regard to adequate provision for scholarships; with regard to University education, and what not. The Education Grants in Aid failed mainly in not being based on a systematic principle; in not securing adequate "equalization"; in not sufficiently protecting the most necessitous districts; and in not extending over the whole field.

One final absurdity, peculiar to the Education Grants, must be mentioned. Not only was each Grant for elementary education paid over separately, apart from any other Grant to the same Local Authority, but also, frequently, each Grant in respect of each school! Though the Grants were in aid of the total expenditure of each Local Education Authority in England and Wales, and were in no way earmarked for particular schools, each Local Authority was, in 1911 (it is not known what change, if any, has been made) receiving throughout the year a stream of separate "credits" on the Paymaster-General from the Board of Education for relatively small sums, each of an odd amount, being the exact sum calculated to be due in respect of each particular Grant for that particular school. Thus, although there were only some 20,000 schools and institutions to be paid for, and after 1903, only 327 Local Education Authorities to be dealt with, the Grants in Aid involved, it was said, the issue of something approaching 100,000 separate "credits" or advices, addressed to the Paymaster-General, but sent to the Local Education Authorities, employing, in their preparation, a huge staff of experienced clerks at great expense. Well into the twentieth century, at least, a separate cheque was actually issued in each case! Some of these advices were then grouped together in one cheque, but even now the payment of the 327 Local Education Authorities of their 327 annual subventions involves literally thousands of separate cheques, which arrive in a stream every few days or weeks throughout the year, at irregular intervals, and not exactly coinciding in dates year by year. Thus the Local Education Authority of Liverpool was, in 1911, receiving its annual subvention from the Exchequer in the form of about 125 separate orders on the Paymaster-General, two-thirds of them being in respect of elementary education and about one-third in respect of "education other than elementary." Another Local Education Authority, that of London, was receiving at that time its annual subvention in no fewer than 400 separate cheques during the year, nearly all for odd amounts, of the greatest possible

diversity—here a cheque for £4 2s. for a single Grant for a single institute, then one for £16,759 4s. 10d. for some Grant or another on twenty-nine schools, a week later one for £130,397 16s. as an instalment of a particular Grant for all the schools in the county ; and presently another for £6,765 10s. for another Grant in respect of eighty-one such schools. Any exact comparison of the total Grant earned one year with another was incidentally rendered impossible by the fact that these innumerable cheques for particular schools did not come to hand on corresponding dates in each year, so that more of them may happen to arrive in one financial year than in the next financial year.

Thus the so-called Annual Grant for each school was paid on the average about six weeks after the close of the school year of that particular school, which differs from that of the other schools under the same Authority. The figures on which the Grant was to be based were supplied for each school by the Local Education Authorities, and the Grant was calculated in the Office of the Board of Education separately for each school. The Fee Grant, on the other hand, was paid in quarterly instalments. The first three instalments were paid during the school year for which the Grant was payable on the basis of the returns for the previous school year, and the calculation of the total Grant for the year for that particular school was made together with the calculation of the Annual Grant. The total Annual Grant and balance of Fee Grant for each school having been calculated, the amount due in respect of the several schools was paid to the Local Education Authority. Payments were made weekly in batches, and if the Grants for several schools to any one Authority fell due in the same week a single payment was made.

As if in order to secure the maximum of variety, the Aid Grant was paid in two instalments. The first was paid in April at the rate of 4s. per scholar on the average attendance on which the previous year's Grant was paid, and the second as soon after October 1st as the work of the department permitted. The total of this Aid Grant

for each school in each financial year was based on the average attendance not of that year, but of the school years (different for each school) which ended in the previous financial year.

I hope that I have got all these complications right ; but it is impossible to feel sure ! Since the year 1919, the merging of the Annual Grant, the Fee Grant, and the Aid Grant of the 1902 Act in a single "Substantive Grant"¹ has somewhat reduced the complications, although the method of calculation still remains bewildering in the extreme, and the dates of payment are as irregular as ever. The number of separate payments has been reduced by this merging. But the London Education Authority, in 1919-20, received from the Board of Education no fewer than 160 separate pay warrants, for odd amounts from £1 to £157,792, at all sorts of odd dates. It remains as true in 1920, as it was in 1910, that no member of an Education Committee, and no member of the Finance Committee having to control the estimates of an Education Committee, and no Alderman or Councillor responsible for passing them, ever hoped to be able

¹ The regulations for the new "Substantive Grant" for 1920-21 are as follows :

"The grant is payable for each year beginning on April 1st. It will be based upon the average attendance, the produce of a rate, and the expenditure of the year, according to the following formula : 36s. for each unit of average attendance in the public elementary schools maintained by the Authority (not including any schools for blind, deaf, defective, and epileptic children), with the addition of the following amounts—(a) Three-fifths of the Authority's expenditure on the salaries of teachers in those schools ; (b) one-half of the net expenditure on special services ; and (c) one-fifth of the remaining net expenditure on the elementary education, less the produce of a 7d. rate upon assessable value in the area.

"The grant shall not, except in highly rated areas, exceed the greater of the two following amounts—(a) Two-thirds of the net expenditure ; (b) the excess of the net expenditure over a sum comprising the produce of a rate of 12d. upon assessable value in the area, together with the grant under the Agricultural Rates Act ; and if the grant calculated under the formula would exceed this maximum limit, it shall be reduced accordingly. The grant shall not be less than one-half the net expenditure, and if the grant calculated under the formula would fall short of this minimum limit, it shall be increased accordingly."

No provision is made for either (a) its payment in regular instalments, monthly or quarterly, throughout the year, subject to adjustment in the final payment ; or (b) the issue direct to the London banking agent of the Local Authority, so that each payment should be at once credited to its current account, without waste of time and clerical labour.

to master the intricacies of the various Grants in Aid available for its work. Quite apart from any question of amount or the inequality of distribution, the Local Authorities had and, as I believe, still have, a real grievance in the incomprehensible intricacies and unnecessary complications in which these Education Grants are involved. Even if the Grants must be as complicated and as multifarious as they are, there is no excuse for the lack of any clear statement of the total amount due, or for the complicated irregularities of the payments. There seems no valid reason why each Local Education Authority should not be regarded as entitled to receive, year by year, one clear and complete statement of account, showing the whole amount payable to it under the various Grants. And instead of the irregular stream of scores or hundreds of separate cheques, coming to hand at the office of each Local Education Authority, at odd times, for odd amounts, needing to be separately sent to the local bank, separately forwarded by that bank to London, separately presented to the Paymaster-General, and separately remitted back to the current account of the Local Education Authority, I venture, with some experience, to affirm that no ground exists why each Local Education Authority should not find paid direct to the London agent of its local bank, to be automatically credited to its current account, on a regular day in each month, an instalment of the total subvention that will be payable to it under all heads; the monthly instalments being in round sums of approximately one-thirteenth of the total for the last preceding year (or last year but one); and a final and additional payment being made for the balance as soon as the whole of the various constituent items can be calculated. It will, of course, be said that all sorts of reasons make this impossible. Yet something near to this simplicity and economy already prevails in the very same service in Scotland. The Edinburgh School Board receives all its multifarious Grants from the Scotch Education Department—not, like the Liverpool Education Committee, in 125 cheques in the year, which have to be separately acknowledged, separately entered, separately paid into the local bank,

and separately collected—but in about a score of instalments *which it finds automatically placed directly to the credit of its current account* at intervals throughout the year; some of these payments being for different instalments of the Maintenance Grant, some for instalments to the whole sum due for continuation classes, etc., and some for instalments for what is called the Education Fund Grant. This means, as I estimated, about one-sixteenth of the labour involved in the process of payment to Liverpool by the Board of Education for England and Wales!

With regard to the allocation of the Education Grants in Scotland among the several Local Authorities, the complications and inequalities appeared, when this book was first written, to be analogous to those of England and Wales even if less great; but want of space compelled me to spare my readers the details. In Scotland considerable improvements have taken place. In Ireland there are still no Local Education Authorities as regards elementary education; and Grants are paid to the managers of voluntary schools, on a system, in a way, and to an extent of which few persons in this country have knowledge. It is desirable that some inquisitive Member of Parliament should ask the Government to present a comprehensive return showing the total amount receivable from the Exchequer, in aid of any form of educational work, by each Local Education Authority or School Board or other public body exercising educational functions in the United Kingdom, and the basis of allocation or conditions upon which such grant or subvention is made; together with similar information with regard to each school (whether day or evening, elementary or secondary, industrial or reformatory), training college, technical institute, university, university college, or other body not being a Local Governing Authority, similarly subsidized from the Exchequer. I believe that the total would be found, already in 1911-12, to have approached twenty millions, and the variety and complexity of conditions to be even greater than this chapter has sought to reveal. Within a decade the total of the education grants has increased, even during the Great War, to over

fifty millions, a sum which is due automatically to rise to seventy millions. The complications, in spite of some small reforms, seem to be little less in 1920 than they were in 1911.

VI THE LINES OF REFORM

THE preceding chapters will have made it clear why—quite apart from the clamour of Local Authorities eager for increased subventions—the whole system of Grants in Aid needs overhauling. To eager social reformers, or those concerned with any particular measure, it may not seem at first sight that there is any real hurry in such a technical matter as reforming our present financial arrangements between the Local Authorities and the National Exchequer. In reality, in the interest of social reform, there is perhaps nothing more urgently needed. We have already a whole batch of legislation, vitally affecting the condition of the people, which Parliament has put on the Statute Book, but which Local Authorities up and down the country are most inadequately carrying out, because of the imperfections of our Grants in Aid. Any competent revision on scientific lines of the financial relations between Local Authorities and the Exchequer could hardly fail to mean (*a*) a great advance in public health administration in backward districts, especially as regards phthisis, maternity, and infancy; (*b*) a further onward stride in education, including medical treatment and provision of what is required for necessitous children; (*c*) extensive developments in the case of the feeble-minded and mentally defective; and (*d*) a quickening of the whole local administration. It is our absurd and antiquated system of Grants in Aid that stops the way; and Mr. Lloyd George was therefore right, in 1911, in promising immediate reform. We still wait for it in 1920.

On what lines ought reform to proceed? The subject is one which, by the very nature of the case, can be dealt with effectually, and with full knowledge, only by the Government, to which alone all the relevant facts can be

exactly known. To anything like enough acquaintance with the situation as a whole, the present writer can make no pretence. To suggest, under such circumstances, any scheme of reform is necessarily to expose oneself to criticism, if not to ridicule. Yet the only way to sum up the conclusions to which the student of the subject is led is to present them definitely in the form of such a scheme. For this reason, with full consciousness of its necessary imperfection, the following detailed proposal is submitted.

(A) *The Need for Principle.*

We must, in the first place, put in a plea for the adoption of some intelligible principle. No small part of the evils of the present system has been caused by our scornful neglect of any consistent principle, and our willing acquiescence in a mere "rule of thumb" arrangement for dealing with the exigencies of the moment. It is essential, too, on all grounds, that the question should be dealt with as a whole. To deal only with this or that Grant in Aid would be only to perpetuate the present chaos. This chaos, indeed, is due mainly to this very failure to grasp the question as a whole, even more than the lack of consideration with which the several Grants have from time to time been made. The desire to relieve the local ratepayer, or to bring new sources of revenue to the aid of rates on occupiers, has obscured the real purpose of Grants in Aid, namely, effecting a greater geographical equalization of burdens and, still more important, strengthening the control of the community as a whole over local parsimony or local extravagance. Moreover, it would be fatal once more to forget the fact that each Grant in Aid necessarily affects, by its amount, its geographical allocation, and its conditions, the psychological and financial effects of all the grants to the same Local Authority that are already in existence. To confine the re-arrangements, for instance, to the twelve millions of the Local Taxation Accounts, without dealing also with the fifty odd millions outside those accounts, would be to equalize with one hand, and neutralize that

equalization with the other. What does it profit a poor district if one Grant in Aid is so adjusted as to lighten its burden, when other Grants in Aid remain allocated in such a way as actually to increase its burden more than proportionately? Any attempt merely to reform this or that Grant, without dealing with all the Grants, would stand condemned and would deservedly fail.

(B) *The Agricultural Rates Act Grant.*

The question may be raised whether, seeing that the Agricultural Rates Act represented, in a sense, a national settlement with the landowners (though the Act, be it remembered, was only passed for a fixed term of years), the sum now payable to the several rating Authorities, in respect of the deficiency arising under the Agricultural Rates Act—commonly called the Agricultural Rates Grant—can properly be included in any re-allotment of Grants in Aid. Personally, I see no reason why it should not be dealt with exactly like the other Grants in Aid. This contention has the high authority of Lord Balfour of Burleigh, Sir George Murray, and the late Sir Edward Hamilton, whose lucid argument on the subject may be appended. “The circumstances which we have thus briefly indicated,” they state in their Minority Report (Ireland) of the Royal Commission on Local Taxation, “point with irresistible force to the desirability of a redistribution of the aid to Local Taxation given from the Imperial Exchequer. With regard to most of the existing Grants, such a proposal would meet, we believe, with ready concurrence. But the case of the Agricultural Grant, which is by far the largest item, may appear at first sight more doubtful, and needs careful consideration.

“In the provisions of the Irish Local Government Act, 1898, as to the Agricultural Grant, there is no limit of time, and consequently it might be supposed that any modification of the whole arrangement would be a sort of breach of faith. We think it is possible to draw some distinction.

“The feature of the Act, which was of the nature of a bargain, and which is irrevocable, was this: That, whereas

landlords had hitherto paid half the Poor Rate, they should, in future, be relieved of that liability. . . . This relief was given for various reasons, but more especially in consideration of the risks which a more representative system of Local Government in Ireland would undoubtedly bring to them. Consequently, all rates in rural districts (as well as most urban rates) are to be henceforth paid by occupiers, and this arrangement is admittedly beyond alteration.

“At the same time it was provided by the Local Government Act that the rates in respect of agricultural land should be relieved to the extent of the Agricultural Grant. We do not consider that it is desirable or practicable to depart from the general policy of that Grant; but we do not think it can be assumed that the arrangements as to the aggregate, and especially the distribution of the Grant, are fixed to the last penny for all time. Indeed, demands have already been made for the increase of the Grant, in order to bring it up to date. And, while the distribution is not, in our opinion, satisfactory at present, it may, owing to various possible changes in local finance, become grossly absurd. For instance, if the valuation of any district was considerably increased or diminished—as it probably should be in some cases—the rate in the £ would be altered, and the Agricultural Grant, based on the standard year, 1896-97, might become very anomalous. A considerable increase of buildings or railways might have a similar effect, or such a result might follow from changes of administration. Thus, if a Union which has hitherto been very profuse in poor relief were to change its policy, it is not outside the bounds of practical possibility that the Agricultural Grant might be enough to cover more than the whole charge on the land. Or, if the other subventions in any district were varied, the rate would vary, and the Agricultural Grant would again become anomalous. Again, if it is held impossible to vary the distribution of the Agricultural Grant, it would seem equally impossible to alter the distribution of any other Grant, for the effect on the ratepayers would be just the same.

“Now, we are of opinion that, as between ratepayers,

the relief afforded to the occupier of agricultural land by the Local Government Act was equitable, and should be continued, on the ground that the ability as measured by the occupation of the land is less than the ability represented by the occupation of other property of equal annual value. We, therefore, propose that henceforth, as at present, the rate on agricultural land should be in each area less than the rate on other property by half the standard rate. If the position of the agriculturist be thus safeguarded, we hope that this further proposition may be admitted, viz., that the Agricultural Grant ought not to be regarded as an inalienable endowment of particular districts and particular ratepayers, but that equitable revision from time to time, as fairness and administrative policy demand, is legitimate and necessary.”¹

Similar considerations, it is clear, apply with equal force to the Agricultural Rate Grants in England and Wales, and Scotland. Whether or not it is just and proper to continue the beneficial arrangements as to the assessment of agricultural land at only half its value, or the payment by the occupier of only half-rates upon it, whichever system is found most convenient, there is clearly no obligation on the part of Parliament to continue to pay, *in one way rather than in another*, the Grant which it made to Local Authorities in 1906-7 in respect of the deficiency thus arising.

(c) *The Abandonment of the Goschen Scheme.*

We may go a step further with practically universal agreement. The action taken in 1888 must be undone. If subventions from the Exchequer to Local Authorities are to continue to be a feature of our constitution, what should be given is—as practically all authorities are now at one in declaring—a Grant, not an assigned revenue. The retrograde step taken by Lord Goschen, in superseding Grants in Aid by assigned revenues, must be reversed. The Goschen finance has, by common consent, in this matter, wholly failed. “No separation of Imperial and local finance,” observes Lord Balfour of Burleigh,

¹ Final Report of Local Taxation Commission (Ireland), Cd. 1068, 1902.

“has in fact been accomplished. . . . *Nor would such a separation be wholly desirable, it is contended, on the ground that, so long as a complete separation of the functions of the Imperial and Local Authorities is not possible, the duties of the former can be most effectually performed if accompanied by a system of Imperial Grants.*”¹ If, instead of such Grants, Parliament assigns specific sources of revenue to the Local Authorities, or dedicates to their use the proceeds of particular taxes, it deprives the community as a whole of part of its public resources without securing to the National Government, in return, any practical means of enforcing upon the Local Authorities that minimum of efficiency which the interests of the community require; and without giving to the National Government that effective backing of its supervision and control, and that effective strengthening of its counsel and advice, without which it is powerless to check local extravagance and local waste. The psychological effect upon the Local Authorities of assigned revenues instead of Grants in Aid is, moreover, wholly to the bad. To a Local Authority the proceeds of assigned revenues soon become regarded as its own property, which it ought to be able to spend at its will as freely as the rates which it levies upon its constituents, or even more so, and yet without the check to extravagance that is supplied by the consciousness of having to face, at the elections, those from whom the money has been raised. In fact, as things are, “the Local Authorities enjoying the Grants in Aid are said to spend them without consideration, and with a recklessness which would be absent if they were dealing with moneys directly provided out of their own pockets. . . . Experience shows that Grants do not reduce the rates, these being, as a rule, as high now as before such Grants were in operation. Grants should be given for special purposes, and not in aid of rates generally. . . . At present they are too much given to regard these Grants in the light of doles.” Whilst it is desirable that considerable aid should be afforded to the local ratepayers, both for the sake of equalizing local burdens and for the

¹ Final Report of Local Taxation Commission (England), 1901, p. 70.

sake of strengthening the influence for efficiency of the National Government, it is of the highest importance, both as a check upon extravagance, and as a means of securing effective popular assent and control, that the Local Authorities, while receiving general assistance from the Exchequer in respect of national burdens they cannot avoid, should feel that the results of their own actions seriously affect the amount of a definite local rate, varying from year to year. With regard to the aid that they get from the National Exchequer, it is desirable that they should feel that it comes as a recognition of the fact that the local service thus aided is one which is performed, not for the locality alone, but, in part at least, in furtherance of the interests of the community as a whole; and that accordingly the community as a whole has a right to satisfy itself, by the inspection of the expert officers of the central departments concerned, that the service is performed at least up to the extent, and with at least the degree of efficiency, that the community may, in its own interests, from time to time prescribe.

(D) *Are there any peculiarly "National" services?*

We reach now a parting of the ways, at which we must come to a decision which governs the rest of our argument. There are those who contend that the basis of adjustment between the Exchequer and the Local Authorities should rest on a classification of the services performed by the Local Authorities. Some of these services, it is contended, are national in their character, useful to the community as a whole rather than to the locality, "onerous" rather than "beneficial" to the Local Authority concerned; and should, it is contended, therefore, be wholly paid for by the Exchequer. Other services, it is admitted, are advantageous and beneficial to the locality concerned, which may therefore fairly be left to bear its own charges for whatever grade of administration it chooses to indulge in. It follows, though this is often not realized, that no Grants in Aid should be paid in respect of these latter services.

To the present writer this contention, though sup-

ported by a whole stream of writers, who seem to have followed almost blindly one on another, appears to be wholly fallacious. It is, to begin with, impossible to make out, with any clearness of principle or consensus of opinion, what are the services of national and of local benefit respectively. One would have thought that the care of the sick poor, the grant of outdoor relief and the education of the children were, of all services, those most distinctly beneficial to the inhabitants of each locality, and those in which they had most direct interest in developing *at other people's expense*. But no: the Poor Rate and the Education Rate are invariably the first to be declared, by those who argue for this classification of services, essentially "national" burdens, incurred for national ends, and properly chargeable to the community as a whole. One would have thought that the protection of life and property by a local police force—a service so obviously profitable to the inhabitants of the particular locality concerned that they often spontaneously petitioned Parliament to be allowed to tax themselves for it¹—was a service emphatically local in its benefits and in its character. But no: the Police Rate is, by common consent of all who make the distinction, to be deemed a national service. On the other hand, the great service of sewers and embankments and sluices, by which, in the Fen country, a whole province is protected from flooding; or the maintenance of the great sea wall that adds to England the many hundred square miles of Romney Marsh—though of far more than local concern—is universally classified as a local service, to be paid for by the particular parishes immediately benefited. Even the maintenance of the King's Highway, which is, in every locality, used by other than the residents in that locality, and the repair of which is, historically, an immemorial obligation not undertaken voluntarily by the locality but peremptorily imposed by the community at large, has, until the other day, never been regarded as other than a local service.

¹ See *The Parish and the County* and *The Manor and the Borough*, by S. and B. Webb, for many instances of these petitions for "Watching" Acts; also *Municipal Origins*, by F. H. Spencer.

We see the beginning of a doubt in the curious statement of the Majority of the Royal Commission on Local Taxation that "the maintenance of main roads we also consider, on the whole, to be, to some extent, a national service, and likely to become more so, owing to the increasing mobility of the population and the development of new means of locomotion."¹ As if the Great North Road had ever been wholly, or even mainly, a local highway.

What is the explanation of this curious classification? To say that the relief of the local poor, the education of the local children, and the local protection of life and property are not services which benefit primarily and principally the locality itself, and only secondarily and indirectly the nation as a whole, seems too paradoxical for words. What really underlies such a strange classification—this may be seen in carefully noting the words used in support of it—is the assumption that local services in this connection are those only *which produce an increase in the rental value of local real estate*. If the local benefit is to the landlord's property, as is plainly the case with regard to sewers and embankments, then it is admitted that the cost may fairly come on the local rates, no matter how much indirect advantage may also accrue to the nation at large. But when the benefits to the locality, however direct and substantial, are of a nature to be enjoyed by the local inhabitants *without paying extra rent for them* (such as education, the provision for the poor, and police protection), those who uphold this classification reveal that the "locality" means to them acres and rent-roll, not inhabitants; describe these services as "onerous" to the Local Authority merely because they cost money; ignore the benefit to the people of the district, and claim that exactly these services (together, now, with main roads) are the "four" great national services to be wholly charged to the Exchequer!²

It is plain that this argument finds no support in political science. To assert that only those services which

¹ Final (Majority) Report of the Royal Commission on Local Taxation (England and Wales), Cd. 638 of 1901, p. 11.

² Majority Report of the Royal Commission on Local Taxation, Cd. 638 of 1901, p. 12.

increase the rental value of real estate should be paid for out of the local rates is, in effect, to claim that the owners and occupiers of real estate should absolutely cease, *as such*, to contribute out of their existing rentals to the cost of any part of the ordinary local administration. It might conceivably be equitable that these owners and occupiers should not bear the whole expense of local government; though, as I have shown, in rural districts this is now less than their estates bore a century ago. But to claim that they ought in equity to be relieved of the whole expense except in so far as they graciously give back part of the actual increase effected in their own rent-roll, is, when we remember the history of local taxation and of private landowning in England, an extraordinarily audacious pretention. Yet this is what the argument of the Majority of the Royal Commission on Local Taxation, voicing the desires of the whole "country party," really amounts to.

There is, however, another reason—one which should appeal to the farmers and country gentlemen, as much as to the Municipal Corporations which are often inveigled into using the same language—why this argument of "classification of services" is a dangerous one. If it were really accepted by the Government and the Legislature that certain services were so essentially of national concern that the locality ought not, as such, to be made to bear any part of its cost, the end of local autonomy, as regards those services, is surely at hand. Where a service is deemed to be supremely of national importance, no Local Authority can ever be allowed to do as it pleases about it. It is not a little significant that the Continental classification of services is usually into "obligatory" and "optional";¹ and with regard to the "obligatory" services, corresponding with our "onerous" or "national" services, the locality is allowed practically no say, and is bound hand and foot. It is, in fact, only with regard to the "optional" services, corresponding with our "beneficial" or "local" services, that anything approaching to local autonomy is allowed to exist. And this seems to be inevitable. If ever we come, in this country, to a classifi-

¹ *National and Local Finance*, by J. Watson Grice, D.Sc. (Econ.), 1910.

cation of services into "national" and "local," and throw the whole cost of the so-called "national" services on the National Exchequer, any real local government with regard to those services will necessarily cease to be. I know that rural County Councillors sometimes picture to themselves an enlightened Government recognizing that they are doing that Government a great favour, and saving the nation no small expense, by taking the trouble to administer, without fee or reward, what is really a national service; and they visualize the enlightened Government accordingly, gladly permitting them to administer that service in the locality just as they think fit. But this is a dream, and an ill-informed dream. Though the County Councillors perform a meritorious public service by their gratuitous administration, they thereby save no expense to the Exchequer. The fact has been repeatedly tested. The actual cost of administration of every nationally organized service—whether we take Customs or Excise, the Post Office or the Prisons, the Factory Department or the Labour Exchanges—is demonstrably far lower than it would be if split up into one or two or three hundred local administrations, by local government areas, even with all the advantage of gratuitous local supervision. The experiments in dividing the administrative work of Old Age Pensions between the Inland Revenue service and the Local Authorities, and in transferring the collection of various licences and assessed taxes from national to local hands, are on this point finally conclusive. The advantages of local over national administration are, in my view, so great that I want to see local government preserved. But it is not an economical form of administration. If the Government ever came to pay the whole cost of local administration of any service, the Local Authorities would find the little finger of the Government Department of the future thicker than the whole loins of the Local Government Board of the past decade, or of the Ministry of Health of to-day. Those representatives of the County Councils and the agricultural interest who plead for any such division of locally administered services, with a view to make the Exchequer bear the whole cost

of one class, are unwittingly tending—just as their grandfathers did in 1878 with regard to prisons—to substitute for Local Government national administration under a Bureaucratic System. In the interest of genuine local self-government, which they and I have alike at heart, I adjure them to abandon so suicidal a contention.

Fortunately, however, the advocates of a “classification of services,” as the basis of Grants in Aid, do not, in fact, follow out the logic of their own arguments. They neither propose any rigid exclusion of Grants from all the services which they admit to be “local,” nor do they seriously ask the Government to bear the whole cost of those which they contend to be “national.” In fact, the particular argument used does not appear in any way to have influenced the practical proposals made. It has, for the most part, merely been picked up, in our characteristic unintellectual way, because it seemed to support proposals that would anyhow have been made without it. But intellectual mistakes of this kind are more dangerous in their subsequent effect on the minds of those concerned, than in their immediate result. They have a way of perverting the mind, and, in after years, of leading us insidiously astray. Let us therefore now bury the fallacy, and proceed on the common assumption that the Grants must be made, not for services that can be supposed to be more “national” than others but in aid of certain definitely selected services, whether locally useful or not, in which the real objects of Grants in Aid can be most conveniently attained, and in the efficiency of which the community as a whole has a considerable although by no means an exclusive interest.

(E) *Grants in Aid should not be fixed in amount.*

✓ We see at once that, on this view, it is of fundamental importance that the Grants should not be fixed sums, but should, year by year, be dependent on local efficiency. It is plainly essential, in the interests alike of economy and efficiency, that the present arrangement of making definitely fixed lump sum Grants, irrespective of the use that is being made of them, should be promptly

and completely brought to an end. Such an arrangement operates almost as an encouragement to extravagance and laxity of administration, and makes the National Government a helpless accomplice in the crime.

We may, therefore, confidently expect it to be provided that the Grants in aid of specific services will be administered by the departments of the National Government charged with the supervision of those services, and that, in order to emphasise year by year the conditional character of the Grants, they will be paid by or on the instructions of these departments, direct to the Local Authorities concerned. The conditions on which the Grants are to be payable should not (as the examples of the English Poor Law Teachers' Grant and the Scottish Medical Grant emphatically warn us) be stereotyped in a statutory enactment, but should be formulated and revised from time to time by the Minister in charge, by a Minute or Code to be laid before Parliament for criticism and possible disapproval. No Grant should be payable unless a certificate is given by the department concerned that the Local Authority is administering the service to be aided in general accordance with the law and with the authoritative regulations of the Department; that the service, alike in adequacy of supply and degree of efficiency—taking into account all the circumstances of the locality—reaches at least what may be considered the National Minimum; and that the Local Authority is applying itself to remedy any shortcomings according to its means.

This plan of variable Grants is often objected to on behalf of the Treasury, on the ground that the Chancellor of the Exchequer is thereby rendered powerless over his own Budget. The Grants in Aid, it is said, automatically increase, with the growth in size or efficiency of the aided services, to an extent and at a rate which can neither be controlled nor even predicted. This is a valid objection to such a variable Grant as nearly all those administered by the Board of Education. But because we must concede this point to the Chancellor of the Exchequer, it is mere poverty of imagination, even sheer ignorance of existing alternatives, that leads some advisers to give up

all the advantages of variable Grants in Aid, and to adopt (like Lord Goschen) either the plan of assigning specific revenues, or else (as in most of the Poor Law Grants) the plan of giving fixed lump sums. It is, as experience has shown, quite practicable to combine the convenience of a fixed aggregate Grant to the Chancellor of the Exchequer, with the paramount consideration of making the subvention to each Local Authority vary in the desired relation according to the extent or efficiency of the service, or to the changing poverty of the district. What seems pointed to is an arrangement by which the aggregate amount of all the Grants in Aid (or, if preferred, of the Grants in respect of each of the main services) should be fixed for a term of years (say seven or ten), to be revised only at the expiration of each term, when the total sum would probably, upon a review of all the circumstances, need to be increased for the next ensuing term (as is indeed, from the standpoint of the statesman, to be actually desired). The aggregate total so fixed for each of the three kingdoms can then be allotted among the several Local Authorities upon the basis of whatever index of amount or efficiency of service may be adopted. During each term of years the total receivable by all the Local Authorities together would not increase with the growth or efficiency of the service or services, nor decrease with any decline in them. But each particular Local Authority would find the amount of its own share year by year obviously dependent on the size or efficiency of its service, though the percentage that the Grants all bore to the total cost would fall; and each Authority would even have the further inducement that, by developing its service at a greater rate than the average, it would secure in Grant not only a larger amount but also a higher percentage of its expenditure than would be obtained by its more apathetic neighbours. The Lunacy and Medical Relief Grants in Scotland—to a lesser extent, also some of the Irish Grants—have long been allotted in practically this way, with admirable results.¹ Of course, the Local

¹ Except for the inadvertent stereotyping of the conditions of the Medical Relief Grant in 1889 (see Ch. IV).

Authorities themselves prefer the Grants to have no fixed aggregate limit, but to increase automatically with the service ! They may be left to fight out, with the Chancellor of the Exchequer, *whose* financial convenience shall be paramount. But we ought to take care, in the public interest, that we do not forgo the advantages of the variable Grant for the sake of the convenience of either of them or of both.

But although the Grant should, in the interests of efficiency, be a variable one, experience should dissuade us from allocating it on any such mechanical basis as the number of persons treated, or the number of officers engaged, at so much per head or at such a proportion of the salaries paid, at so much per school place or per hospital bed, at any given sum per attendance at school or per week per patient. The simplicity of calculation gained by any such arrangement is outweighed by the impossibility of doing justice to the special circumstances of particular localities, by the difficulty of securing any approach to an equalization of local burdens, and by the danger of establishing a basis which becomes rapidly obsolete. The provision of a service adequate in extent to the local needs, and yet not unnecessarily expensive, can, as all experience indicates, be better secured by appropriate regulations, compliance with which is enforced by a Grant, than by offering what comes to be a standing bonus on further extensions. Similarly, a rising standard of efficiency, and the introduction of new improvements in service, can be better secured by advisory Circulars and a periodical revision of Regulations to be annually laid before Parliament, coupled with a Grant varying with the total amount of service, than by specific Grants for teachers, nurses, drugs, etc., which can never be made to cover all the various improvements that are being made by one Local Authority or another.

It is to be noted, moreover, that the adoption of the County or County Borough as the unit for administration, which (subject to due consideration of the position of, and the sharing of services with, the Non-County Boroughs and populous Urban Districts of England,

Wales, and Ireland, and the smaller units in Scotland) may now be assumed, will greatly facilitate both the complete remodelling and the future administration of the Grants in Aid.

(F) *Grants in Aid should be in respect of prescribed services.*

It follows from all the preceding argument that the Grants should not be made in respect of the whole work of the Local Authorities, but should be applicable to definite and deliberately-selected services.

Grants in aid generally of the expenditure of Local Authorities, without specific allocation to particular services, are (as Gladstone always declared) wholly injurious encouragements to extravagance. Like the assignment of revenues, they can form no part of scientific finance. All the successful Grants in Aid of the past have taken the form of proportional subventions towards the cost of specific services. It has only been when a variable and proportional Grant in Aid has been made to the Local Authorities charged with the performance of a specific service which it wished to encourage, as with the Education Grant and the Police Grant in England and Wales, and the Poor Law Medical Grants in Scotland and Ireland, that we see the departments concerned able to frame regulations for making the Grant not merely relieve the ratepayer, but also promote the efficiency of the service.

We do not need to grant special subventions to all the manifold expenditure of Local Authorities. We may leave, for instance, the inhabitants of any locality to clean and light and pave their own streets. We had better let them pay for their own Town Halls. We do not need to assist them to beautify their parks, or to provide a municipal orchestra. We may leave them unaided in all their increasing experiments in "Municipal Trading." There are four main services which, by a consensus of opinion, in the light of past experience, stand out as suitable for Grants in Aid. These are (i) Education, including all the public provision for children, and (ii) Police; and those parts of the work of the present Poor Law Authorities and Public Health Authorities connected with (iii)

Lunacy, and (iv) the provision for the sick and infirm, including Maternity and Infancy, and the maintenance of the Public Health.

(c) *Education and Child Nurture.*

By far the most expensive local service, and the one in which the community as a whole has the greatest interest, is the maintenance of the National Minimum of child nurture, which is now the function of the Local Education Authority. The Grants administered by the Board of Education need not only increasing still further, but also consolidating and simplifying. The opportunity should, of course, be taken to unite, under the Local Education Authority and the Central Department for Education, all the public provision made for children of school age (not being certified as sick or mentally defective), including, therefore, the enforcement of the Children Act, and all the optional as well as the obligatory functions of the Local Education Authority, together with the provision for children of school age now made by Poor Law Authorities (as the Cabinet and the Ministry of Health have now specifically undertaken to do).

(H) *Police and Justice.*

The Police Grant had always, down to 1888, been the most successful of all the Grants in Aid. It was largely spoilt by the Goschen revolution in finance, but was again restored in its administrative advantages, by the additional voted Grant. What is now needed is to go back to the old system of giving a definite proportion of the expenditure year by year, extended to the whole of the local expenditure connected with the administration of justice, under the supervision, as heretofore, of the Home Office (so far as concerns England and Wales).

(i) *Lunacy and Feeble-mindedness.*

The existing Lunacy Grants need only extending to the mentally defective of all ages, kinds, and grades, who will, we may assume, in accordance with the recommendations of the Royal Commission on the Care and Control of the

Feeble-minded, be provided for exclusively and entirely by the Local Authority for the mentally defective, a re-constituted Asylums Committee of the County or County Borough Council, to which (as in all other cases) the Grant should be paid direct, and not through the conduit-pipe of any other body.

(J) *Other Local Services.*

Of the other services at present performed by Local Authorities, that of roads will be largely aided by the development of the Road Board into a central supervisory department for road administration, wielding its own extensive funds and making grants towards the maintenance of first and second class roads; whilst agricultural organization, scientific research, and rural co-operation will continue to be aided, through the several Departments of Agriculture, by the Development Commission. The provision for the aged is now to a large and, we may believe, an increasing extent borne by the National Exchequer in the form of old age pensions. We may take the Labour Exchanges and the vast scheme of State Unemployment Insurance as a token that the whole dealing with unemployment, including the vagrants on the one hand and the able-bodied on the other, must necessarily be undertaken, in one form or the other, by the National Government, as, indeed, so cautious and so experienced a body as the County Councils Association, under such leaders as the Duke of Northumberland and Lord Belper, Lord St. Aldwyn and Sir Arthur Chapman proposed, in a scheme which had the rare fortune to be approved by both the Majority and the Minority of the Poor Law Commission. It is therefore positively undesirable that any part of the present expenditure of the Local Authorities on workhouses or on outdoor relief should be aided by Government Grants. Another Poor Law service, that of providing for the children of school age, including, when necessary, maintenance as well as schooling, must necessarily become part of the work of the Local Education Authority, which has its own Grant in Aid.

(κ) *The Prevention and Treatment of Disease and Physical Infirmary.*

Thus, of all the work now done by the Poor Law Authorities, we have left only that destined, under the Ministry of Health, to be united with that of the Local Health Authority, namely, the provision for the sick and infirm under the Public Health Acts. This, it is clear, should become part of the ordinary work of the unified medical service under the County Medical Officer, which the before-mentioned scheme of the County Councils Association proposes. This work, vital as it is to the community as a whole, received, until recently, the stimulus and assistance of practically no Grants in Aid—apart from the small subvention towards the salaries of Medical Officers of Health and Sanitary Inspectors—and (we may almost say consequently) no systematic inspection or supervision. Even in 1920, it is aided only in respect of the local provision for Maternity and Infancy, Venereal Disease and Tuberculosis. It is therefore desirable that a substantial Grant should be received in future by the Local Health Authorities from the Ministry of Health; and that it should become available, under suitable conditions, not for specific items, but for the whole expenditure of these Authorities upon the preservation of the public health and the care of the sick and infirm, including the provision for childbirth and care in infancy up to school age, and the optional as well as the obligatory functions of the Local Health Authority.

The withdrawal, from the Poor Law Authorities of the United Kingdom, of the three and a half millions sterling that they now annually receive (in England and Wales through the conduit-pipe of the County and County Borough Councils) in Grants in Aid—Grants, as we have seen, of a specially defective character—would be politically impossible if we were not, at the same time, actually either abolishing the whole Poor Law system, or at least relieving the Boards of Guardians and (in Scotland) Parish Councils of an equivalent burden. An opportunity was missed in 1910-12. The Poor Law Authorities

were just then being relieved, to the extent of a million and a half a year, of the outdoor relief that they had hitherto been actually disbursing to people over 70. The transfer of the thousands of actually certified imbeciles from the workhouses to the asylums of the Local Lunacy Authority—which would save, in food alone, close upon two hundred thousand pounds a year—needed but a stroke of the pen of the President of the Local Government Board, in his signature of an Order amending the General Consolidation Order of 1847, by definitely forbidding, after an early date, the retention of any such person in any workhouse. At the same time, it could have been provided, in the Act reallotting the Grants in Aid, that the Poor Law Authorities would no longer be required to make any payments to the Local Lunacy Authorities for pauper lunatics in the County Asylums—thus saving the Poor Law Authorities over a million and a half per annum—or to the Local Health Authorities for the constantly-increasing number of pauper patients sent to the Municipal Hospitals. With all this alleviation of the burden on the Poor Law Authorities, at once saving them, in actual outgoings, at least as much as they now receive from the Exchequer, and the relief being even a progressively increasing one, the present Grants to these Authorities—which, as we have seen in a preceding chapter, have every possible defect that a Grant in Aid can have, and practically no merits—could have been at once terminated; even if any complete scheme of dealing with the Poor Law had to be deferred. The Poor Law Authorities would have started by fearing that the Poor Rate that they had to levy would have been increased, but they would presently have found that, relieved of their aged out relief cases over 70, of the certified imbeciles in the workhouses, and of all their out-of-pocket payments for lunatics and sick, they would, in fact, in the aggregate, have become financially better off, even without their Grants in Aid, than they were. Any exceptional cases, in which the Poor Rate could be shown to have been increased by reason of the change, as compared with that for 1910 (prior to the removal of the pauper disqualification

for Old Age Pensions), might have been met by a special and temporary Grant to the particular Poor Law area. But the Local Government Board at that time was very far from pushing any alterations in Poor Law administration; and the opportunity was allowed to pass. The opportunity for withdrawing the three and a half million pounds a year now paid as Grants in Aid to the Poor Law Authorities will now come when the sick and infirm are withdrawn from their care, and transferred to the Local Health Authorities, to be dealt with under the Public Health Acts—even if the Poor Law system is not then wholly abolished. This is now definitely adopted as the policy of the Cabinet and the Ministry of Health, but so devastating is the administrative paralysis that there is, at present (1920), no immediate prospect of reform.

The basis on which the Grants in Aid should in future be allocated among the several Local Authorities concerned, namely, the Local Education Authorities, the Local Police Authorities, the Local Lunacy Authorities, and the Local Health Authorities (who are, in the principal towns of England and Wales, all united in the County Borough Council), remains to be considered.

(L) *The Basis of the Several Grants in Aid.*

It may be suggested that the Grant in Aid of the Local Lunacy Authorities may well continue to be made on the simple basis of so many shillings per week for every certified person for whom approved asylum provision is made. Certain amendments are desirable, viz. (1) the Grant should be uniform for all classes of mentally defective persons under the Local Lunacy Authority, *and identical with whatever Grant may be given in respect of other inmates of institutions*, so as to avoid all financial bias in the classification of patients; (2) it should be payable irrespective of what may be recovered from the patients' relatives, so as not to deprive the Local Authority (as is stupidly done at present) of all inducement to effect such recovery; and (3) it should be so fixed as to encourage

those Local Lunacy Authorities which might improve the character of their provision. In view of the rise in the cost of maintenance, a great increase in the sum payable is called for. It should probably be at least trebled. These considerations point, it may be suggested, to the aggregate Lunacy Grant for England and Wales (with corresponding equivalents for Scotland and Ireland) being fixed, at the outset, for the first term of seven years, at approximately half the aggregate cost to the Local Lunacy Authorities, irrespective of recoupments from relatives of patients, etc. The total so fixed should then be allocated, year by year, among the Local Authorities, subject to a proper certificate of efficiency, in proportion to the number of patients whom they were year by year providing for.

✓ The basis of the Police Grant might advantageously remain (again with a fixed aggregate total for a term of seven years) at half the present aggregate expenditure on this service (with which might be included the expenses of criminal prosecutions, etc.) of the Local Authorities aided. The sum thus allotted would then be divisible, year by year, among all such Authorities, in proportion to their total expenditure on the service.

✓ With regard to the multifarious Grants to the Local Education Authorities, amounting in the aggregate to some fifty millions a year, and due to rise within the next decade to more than seventy millions, it is clear that there must be further simplification and more effective equalization of local burdens. Yet it is probably undesirable to forgo the lever for educational improvements afforded by special Grants towards such optional local expenditure, in excess of the "National Minimum," as (*a*) support of University Colleges, Technical Institutions, Training Colleges, and Secondary Schools; (*b*) an effective "Scholarship Ladder"; (*c*) the Continuation Schools for boys and girls between 14 and 18; and (*d*) special schools for the blind, deaf and dumb, the physically defective, and those dull-witted children who cannot be certified for relegation to the Lunacy Authority. Special Grants in Aid of all these forms of expenditure, which it might

otherwise be difficult universally to insist on, had better continue to be made (and must plainly be promptly increased in amount) on the best basis that experience may dictate. But all the rest of the educational requirements, including cookery and manual training classes, nursery schools and evening play centres, might surely now be insisted on (together with the medical inspection and treatment, and adequate execution of the duties with regard to neglected and necessitous children of school age) as part of the general conditions as to local efficiency without which no Grant would be payable. Subject to such stipulations and general conditions, as hereafter explained, it seems desirable to make the Grants simply in lump sums to the several Local Education Authorities, in proportion to their total expenditure on the service, and, in the manner to be subsequently described, in proportion to their poverty.

We come now to the fourth main service, that of the Local Health Authorities under the Public Health Acts suitably extended, which cannot fail increasingly to include, with a unified medical staff, and a combined provision of hospitals and infirmaries, the whole of the public provision to be made for the sick (including Maternity and Infancy, and the aged needing institutional care), in substitution for the General Mixed Workhouse and the "deterrent" medical service of the Poor Law, apart from whatever is effected by the Government Sickness Insurance. What is proposed is that (in lieu of the Grants to the Poor Law Authorities, if rendered unnecessary by their being relieved of between three and four millions of expenditure) there should be paid to the Local Health Authorities, under appropriate conditions, a substantial Grant of fixed aggregate total in aid of all their work under the Public Health Acts; including equally (a) their improvements of the material environment in the way of drainage, paving, housing, water supply, etc.; (b) their provision for the prevention of disease, by notification, health visiting, house to house inspection, and their "searching out" of cases of untreated sickness so as to deal with it at the incipient stage; (c) their rapidly-

growing provision of medical treatment, in their own municipal hospitals, sanatoria, dispensaries, etc., not only of smallpox and scarlet fever, but also of venereal diseases, phthisis, measles, whooping-cough, and by "milk clinics" and "Schools for Mothers," of infantile disorders generally; and (d) the provision of the necessary additions to the general hospital accommodation. What is suggested is that, here also, the sum to be fixed for the first term of seven years, as the aggregate total of these Grants in Aid, should be, for England and Wales (with equivalents for Scotland and Ireland) very substantially in excess of one-half of the total sum now being spent by the Local Health Authorities on all their manifold work under the Public Health Acts.

It will be seen, therefore, that alike for Lunacy and Police, Education and Health, it is suggested that the contribution of the Exchequer should be, normally, one-half of the present cost of the service. This proportion has the advantage of fitting in approximately with the existing facts. But it has also the high authority on its side of Lord Balfour of Burleigh, who made, in his Separate Report from the Royal Commission on Local Taxation, the same proposal.¹ More than half it appears both unnecessary and undesirable for the Exchequer usually to contribute, in order to leave a desirable inducement to local economy. Less than half it is equally undesirable to grant, because (as Lord Balfour of Burleigh also pointed out) it is "essential that the Grants should nowhere be reduced to such an extent as to weaken the control already exercised."²

(M) *The Aggregate Amount of the Grants.*

It is perilous, amid all the complications of the figures, in the wilderness of blue books—none of them giving exactly comparable figures for the different parts of the United Kingdom, and few of them deigning to include in a simple statement all the various kinds of subventions from the Exchequer—to propose any definite sums. But,

¹ Final Report of Local Taxation Commission (England and Wales), Cd. 638 of 1901, p. 73.

² Final Report of Local Taxation Commission (Scotland), 1902, p. 32.

by way of illustration, if we take the present total expenditure of the Local Authorities of England and Wales on police, conveyance of prisoners, and criminal prosecutions; on lunacy; on education (exclusive of University and secondary education, scholarships, continuation schools and special schools for the blind, etc., for which separate Grants must continue to be made); and on the Public Health service (including the transfers suggested) we get a total gross expenditure (apart from loans) of £80,000,000 per annum. The aggregate Government Grant for these services would, on this proposal, amount for the first term of seven years, to £40,000,000 for England and Wales. To this must be added (i) the separate Grants that would continue to be payable by the Board of Education, (ii) the Grant for Industrial and Reformatory Schools which would continue to be payable as at present, (iii) the miscellaneous subventions, such as Distress Committee Grants, etc., and (iv) equivalent totals under all heads for Scotland and Ireland. This gives us an aggregate total of, perhaps, £70,000,000 a year, with which to ensure that no Local Authority shall—at the very worst—receive less than at present. The Chancellor of the Exchequer, it may be suggested, would do well if he could compound for some such sum, most of it being insusceptible of increase for a period of seven years. It will necessarily rise quickly to a hundred millions as the new and increased services develop.

(N) *The Allocation of the Grants.*

It remains to be suggested how that or any other total sum—so far as the fixed aggregate is concerned—can be best allotted among the several Local Authorities in such a way as to (i) maintain their interest in economical administration; (ii) secure the enforcement everywhere of a “National Minimum” of efficiency in each service; (iii) stimulate and encourage improvements and a rise in the standard of efficiency; and (iv) so far equalize the burden on the ratepayer as to prevent even the poorest district being made to pay more than the average rate in the pound of the Kingdom as a whole. Here, again, we

have the high authority of Lord Balfour of Burleigh for the suggestion and the outline of a plan of distribution which would continue subventions in proportions to cost of the local service, with such an adjustment as would give to the poorer districts more than the richer districts.¹ It is of great importance (as all our experience has proved) to afford some special encouragement to poor districts, and to make the Grant in Aid for each service to each Local Authority vary, not only in proportion to the expenditure of that Authority on the service, but also in proportion to its poverty, as measured by the assessable value of its area per head of population. Probably every competent authority would agree on this point with the Royal Commission on the Care and Control of the Feeble-minded, though with a wider application of their words. "As matters now stand," they say, "it is, we think, impossible for counties with a low assessable value, and many claims on the County Rate, to make a provision that, in our opinion, is absolutely necessary in the interests of the community . . . and the mere fact that the subsidy of the Exchequer is increased, even largely increased, will not, of itself, meet the difficulty. On the other hand, by the application of definite standards to administrative finance, the methods which we recommend would further economy." In fact, "so long as the burden of the necessary expenditure upon national services falls with greater severity upon one district than another, it is difficult to insist upon general administrative reforms." That Commission accordingly recommended for adoption, with regard to the Grant for all the mentally defective, the plan submitted to the Royal Commission on Local Taxation by such high authorities as Lord Balfour of Burleigh, Sir George Murray, and the late Sir Edward Hamilton. This plan, which is here extended and elaborated, proceeds on the basis of fixing what we may call a "National Minimum" rate of expenditure per head of population—taking something like the minimum which experience shows to be anywhere necessary for efficiency—and a standard rate in the pound—taking, it may be suggested,

¹ Final Report of Local Taxation Commission (Scotland), 1902, p. 32.

something like the average of the rates of the country as a whole. If the product of the standard rate does not produce, in the area of any Local Authority, the amount of the "National Minimum" of expenditure for its population, the deficiency might be made wholly good by what has been called the Primary Grant. The actual expenditure of the Local Authority would, however, practically always be in excess of the national minimum rate of expenditure per head of population—this necessarily having to be at the lowest customary standard—and towards the excess the National Government should contribute, as the Secondary Grant, a moderate proportion only—an amount which might be whatever can be afforded from the balance of the fixed total aggregate Grant (after deducting the sum of all the Primary Grants), in exact proportion to the actual expenditures of the several Local Authorities over and above the standard expenditure per head of population. The amounts of the Primary and Secondary Grants to each Local Authority would be added together, and paid over as a single block Grant.

This scheme of distribution was put into precise Parliamentary terms in 1910, so far as the proposed Grant to the Local Health Authority is concerned, in the following clause¹:

"In lieu of the Grants now paid by Parliament to Boards of Guardians there shall be paid annually out of moneys provided by Parliament to a special account, to be termed the Exchequer Contribution (Health Grants) Account, a sum which during each of the seven years next ensuing shall not exceed *four million pounds sterling*, and which shall, during each subsequent period of seven years, not exceed such sum as may from time to time be voted by Parliament.

There shall be paid annually from the Exchequer Contributions (Health Grants) Account, under regulations to be made by the Local Government Board with the approval of the Treasury, to the Council of every County

¹ Extracted from *The Prevention of Destitution Bill*, 1910. The Ministry of Health has now to be substituted for the Local Government Board.

and County Borough in aid of their expenditure under the Acts mentioned in the Third and Fourth Schedules to this Act and under Section 5 of this Act such sums as may each year be fixed by the Local Government Board in accordance with the following principles :

- (a) There shall be determined for each year by the Local Government Board a rate of expenditure per head of population (to be termed the National Minimum of Health Expenditure), which in the opinion of the Local Government Board will amount to the least sum at which under the most favourable circumstances the Council of any County or County Borough can possibly discharge efficiently the duties laid upon them by Parliament, under the Acts mentioned in the Third and Fourth Schedules to this Act, and Section 5 of this Act and any Acts amending any of these Acts.
- (b) There shall be determined for each year by the Local Government Board, a rate in the pound assessable value (to be termed the Standard Average Health Rate), which, in the opinion of the Local Government Board, represents as nearly as can be ascertained the average rate in the pound required in the last preceding year to defray the aggregate expenditure of the Councils of all the Counties and County Boroughs in the discharge of their duties as aforesaid.
- (c) No Grant shall be payable under this section to the Council of any County or County Borough which have not, in the opinion of the Local Government Board, expended in the discharge of their duties as aforesaid during the last preceding year a sum equal to the National Minimum of Health Expenditure determined as aforesaid.
- (d) If, in the opinion of the Local Government Board, the amount of expenditure incurred by the Council of any County or County Borough during the last preceding year in the discharge of their duties as aforesaid could not be met after deducting all

receipts in aid by a rate in the pound equal to the Standard Average Health Rate determined as aforesaid, there shall be paid to the Council of such County or County Borough out of the Exchequer Contributions (Health Grants) Account a sum, to be termed the Primary Health Grant, equal to the deficiency thus ascertained.

- (e) There shall be paid out of the Exchequer Contributions (Health Grants) Account to the Council of every County and County Borough other than those referred to in Section 5, sub-section 4 (d) of this Act, such a Grant in Aid of their expenditure under the Acts mentioned in the Third and Fourth Schedules annexed hereto and Section 5 of this Act, and any Acts amending any of these Acts (to be termed the Secondary Health Grant) as may be determined by the Local Government Board, the amount of the Grant in each case being made equal to such uniform proportion of the actual expenditure of the several Councils under the said Acts and under Section 5 of this Act as can be met from the Exchequer Contributions (Health Grants) Account for the year then current after the whole of the Primary Grants as aforesaid have been paid. Provided that in computing for the purpose of any Grants under this Section the actual expenditure as aforesaid of the Council of any County or County Borough the Local Government Board shall, without necessarily disallowing it as illegal, exclude any expenditure which in its judgment was so excessive or extravagant or ill-advised as not to warrant a contribution from the Exchequer towards such expenditure.

- (f) No Grant shall be paid under this section until a certificate has been issued by the Local Government Board declaring that the provisions of the Acts mentioned in the Third and Fourth Schedules to this Act and of Section 5 of this Act and of any Acts amending any of these Acts, have in the last preceding year either been carried out in all parts

of the County or County Borough with reasonable efficiency, or that the Council are taking steps in a manner which the Local Government Board considers satisfactory to remedy such deficiencies as exist. If the Local Government Board is not satisfied as aforesaid, it may at its discretion deduct such amount as it thinks fit from the amount of the Grant that would otherwise be payable, and give a certificate declaring the ground of its dissatisfaction and the amount of such deduction, and in that case the amount of the Grant as so reduced shall alone be payable to the Local Authority in question."

A somewhat similar basis and procedure has now been adopted for the principal Grant for Elementary Education in the manner described in the preceding chapter. If all the principal Grants in Aid to the Local Authorities were made somewhat on this basis—the exact figures being worked out according to the circumstances of England and Wales, Scotland, and Ireland respectively—the poorest and the most backward localities would—provided that they brought their administration up to a reasonable standard of efficiency—receive larger Grants in proportion to their assessable value, as well as a larger proportion of their expenditure, than the richer and more progressive districts. It is only too plain that, as Lord Balfour of Burleigh pointed out, "so long as the poorest districts are not treated with greater liberality than the richer ones, it will be almost impossible to secure reforms in administration, which would entail an additional burden upon the rates without constant appeals to the central Government for assistance, such appeals mainly coming from the poorer districts, in which the burden is already very high. If the rich and poor districts were once placed, so far as possible, upon the same footing . . . these demands upon the State would be less frequent and persistent, and . . . administrative reforms would be more easily effected." It is, in fact, practically impossible to press upon a Local Authority the adoption of a higher standard of efficiency of service—essential as it may be in

the interests of the community—if the improvement would, owing to the poverty of the district, involve a rate actually higher than that of the average of the country as a whole. It appears a most valuable feature of the plan of distribution advocated by Lord Balfour of Burleigh that it ensures, even to the poorest district of the United Kingdom, the ability to attain at any rate the “National Minimum” of efficiency in its local services, at no greater rate in the £ than that which is the average for the country as a whole. On the other hand, even the richest and most progressive Local Authorities, on whose continued experimenting in improved methods of treatment all further advance in efficiency of local administration will depend in the future, as it has depended in the past, will, whilst retaining full autonomy to make whatever experiments they choose, receive Grants which will, subject to the sanction of the departments concerned, vary with the amount of their expenditure on the services in which the community as a whole has so vital an interest.

It would, of course, be essential that the accounts of all Local Authorities receiving Grants in Aid should be duly audited by district auditors, who should, in Scotland, as is already the case in England, Wales, and Ireland, be officers specially appointed for the purpose, and giving their whole time to the work. The Minority Report of the Poor Law Commission usefully drew attention to the importance of definite qualifications (as to age, experience, and competency in financial and administrative knowledge) being required from candidates for this important appointment, and to the desirability of the auditor’s report (*though not his disallowances*) extending to more than the question of the bare legality of the expenditure.

No Grant should be payable unless a certificate is given by the Department concerned that the Local Authority is administering the service to be aided in general accordance with the law and with the authoritative regulations of the Department; that the service, alike in adequacy of supply and degree of efficiency—taking into account all the circumstances of the locality—reaches at least what may be considered the “National Minimum”; and that the

Local Authority is applying itself to remedy any shortcomings according to its means. It ought, of course, to be an invariable rule that immediately the Department has reason to anticipate, owing to a report from its Inspector or otherwise, that it may not be in a position at the proper time to give this certificate, it should send instant warning to the Local Authority concerned. Finally, where the certificate cannot be given, the Department concerned should be empowered to withhold, after due warning, either the whole Grant or any portion of it, and, if thought necessary, in order that the inhabitants should have their attention specially called to the matter, perhaps to require that the deficiency should be made good by the levy of a special additional rate, before any future Grants will be paid.

At the same time, it must be emphasized that no system of Grants in Aid will work satisfactorily, or will in this country be permanently tolerated, unless the administration by the Central Department concerned is "broad-minded," and really intended to be helpful and not harassing to the Local Authorities and their officials. Thus, anything like the meticulous supervision that the Local Government Board used to maintain over the Poor Law Authorities would be entirely out of place in dealing with a twentieth century Municipality or County Council, under the Public Health, Lunacy or Education Acts. What the Local Government Board, as a Poor Law Authority, seems to have thought itself called upon to do was to "approve" every action of the Boards of Guardians, which were not supposed to do anything whatsoever without its express sanction, general or particular. The Local Government Board even prescribed, not the minimum dietary of the paupers, but actually the dietary itself, even to the extent of commanding exactly how many plums were to be put into a given quantity of pudding! Even to the end of its reign the Local Government Board could not bring itself to allow greater freedom to the Boards of Guardians than a choice among various minutely prescribed dietaries. The number of plums in each pudding had to be meticulously fixed, even if there was a choice of puddings!

This, it will be noted, was not proceeding on the assumption that it was for the Local Authority to decide, and that all that the Central Authority had to do was to see that the "National Minimum" was attained. So long as the prescribed National Minimum is attained, however this result has been reached, it is not for the Central Department to interfere with the discretion of the Local Authority, which is expressly authorized to do anything more than the National Minimum that it chooses, in whatever way it chooses. There is a grave danger that, in the transition from the Poor Law system to the Public Health system, the officials of the Ministry of Health—the new name by which the Local Government Board is now known—will, out of long tradition and habit, forget the necessity for a change in attitude. They may even seek to impose on the Local Authorities operating under the Public Health, Lunacy, Education, Old Age Pension and Employment Acts, not the "National Minimum" (as applied by the Home Office and the Board of Education) but an arbitrary "maximum," or a rigid prescription of what shall be done (like the Local Government Board in respect of the Boards of Guardians). Unfortunately, the proceedings under the Housing Acts during 1919-20 seem to have been, very largely, of this nature. If any such attempt is made, it is to be hoped that the Local Authorities will oppose a determined resistance. There is no reason whatever why, over and above the "National Minimum," their freedom of action should be in any way limited. What the Central Government may rightly claim (as the Board of Education has always done) is freedom of discretion as to what expenditure shall be admitted as a basis for any Government Grant that is calculated as a proportion of the outlay; or as being suitable for being defrayed out of the loans that have been sanctioned. But, where expenditure is not admitted for either of these purposes, the Central Department has no right, and should not be permitted to exercise a power, to dictate what shall or shall not be spent out of the sums raised in rates.¹ Any

¹ Thus, whilst the Board of Education rigorously restricted the sums spent

attempt to exercise such a restrictive authority over the decisions of Local Authorities—authority under which the Boards of Guardians have long groaned—should be absolutely negated.

(o) *Difficulties.*

There are two difficulties which are always put forward by those who are opposed to any systematic rehandling of the Grants in Aid on scientific lines, the chaos of local valuations and the absence of a quinquennial census. These two difficulties, it is always represented to a Minister seeking to reform the Grants in Aid, oppose an insurmountable obstacle to any change. The representation is incorrect.

The valuation system, outside the metropolis, has long been overdue for reform, but no Cabinet has ever brought itself to the point of tackling it seriously. At present throughout large parts of England and Wales, and most of rural Scotland, there are considerable differences of level between the local assessments of real estate on which the rates are levied. In one parish on one Poor Law Union everybody finds himself assessed up to the hilt at a rack rental. In another, everyone is put down at only half or two-thirds of the rack rental. What is even more perplexing, there is often the most serious inequality of assessment as between different hereditaments, cottages and farms and dwelling-houses which are let at something like their full annual value will often be assessed at a like sum, whilst mansions and parks and other premises that have been from time immemorial in the occupation of the freeholder will often be assessed far under their full rental value, sometimes on the pretext that no tenant for them could be found. Anomalies with regard to the assessment of woodlands, shootings and fishings, mines and quarries, railways and waterworks, are the rule rather than the exception. It is

out of loan on new schools to what it considered the necessary expenditure, it did not object (and could not legally prevent) the London School Board and other bodies from greatly exceeding the sums thus sanctioned, on structural improvements which they deemed desirable, and which they were prepared to charge to the rates.

indisputable that the existing machinery for assessment by parish and Poor Law Union authorities egregiously fails to ensure uniformity as between different localities, let alone uniformity of level throughout the whole kingdom. Yet for decade after decade the prejudice in favour of local assessment, and against the interference of professional valuers prevents all reform. Meanwhile the Inland Revenue, which got the assessments for London systematized by the Valuation (Metropolis) Act of 1869, and has been assisted since 1890 by the London County Council to secure, under that Act, a close approximation to uniformity of practice, has had to rely, outside the Metropolis, on assessments made for its own purposes which take the local valuations as a basis and "level up" by some rough and ready percentage, so as to get a little nearer to a national uniformity of standard. It would be easy to decide to adopt this Inland Revenue assessment as the basis of allocation of the Grants in Aid, in the same way as it is adopted for Income Tax (Schedule A) and Inhabited House Duty. But the difficulty is now on the point of being removed. In the Inland Revenue Bill for the reform of the Income Tax, prepared for introduction in the course of the present session, and presumably certain to be passed into law within twelve months, provision is made for the extension to the rest of England and Wales of practically the same system as prevails in London under the Valuation (Metropolis) Act, 1869. When this becomes law, it will be within the power of the Inland Revenue, acting through the Inspectors of Taxes, to effect a steady approximation to national equality of assessment. The difficulty presented by the political impossibility of establishing an entirely new system of assessment need then no longer stand in the way of a systematic reform of the Grants in Aid.

A parallel difficulty is that arising from the refusal of the Treasury, decade after decade, to accede to the demand for a quinquennial instead of a decennial Census. No proper comparison of the needs and financial ability of different localities can be made without a reasonably correct numbering of the people; and the decennial

Census interval is, by common consent, too long for accuracy of estimate. This should not, in itself, prevent a systematization of the Grants in Aid, but the allocation in the intermediate years would produce a crop of complaints from localities which claimed to be increasing in population at a greater rate than the average. Fortunately, the Census Bill of 1920 provides for the optional taking of a Census more frequently than decennially; and when this becomes law the excessive length of the intercensal period will cease to afford any excuse for shirking the reform of the Grants in Aid.

VII

“MARKING TIME” AMID INCREASING EXIGENCY

WHAT prospect is there of the Cabinet and the House of Commons grappling with this urgent need? Unfortunately, it must be owned, the very slightest. More than a quarter of a century has elapsed since the Departments and the Cabinet recognized and admitted the urgency of a systematic reform of the Grants in Aid. Successive Royal Commissions and Departmental Committees have laid bare the defects and pressed for reform. Repeated promises have been made by Ministers. Patch after patch has had to be put on the crazy structure, in order to stave off importunities or meet some urgent need. Meanwhile the cask has been running at the bung-hole. The total of Grants in Aid, which, twenty-five years ago, did not exceed fifteen millions a year, is now more than four times that amount; and will, within a very few years, almost automatically rise to more than six times that amount. Alike in Ireland, in Scotland and in England and Wales, the continuance, unreformed, of the distribution of all the separate Grants in Aid on inconsistent and often absolutely contradictory bases goes far to nullify their intended effect in equalizing burdens, promoting the efficiency of local services and giving authority to national control. The four or fivefold increase of the aggregate amount so distributed actually intensifies the evil. The position affords a glaring example of the paralysis into which British public administration has got through the retention, unreformed, of democratic machinery which is to-day wholly inadequate for its task.

The projects of Parliamentary "Devolution," which are now once more being languidly discussed, afford, it will be realized, no remedy. The establishment of subordinate legislatures, whether "national" or "provincial"—or to use a new term "regional"—give no help in finding a basis common to the kingdom as a whole. Perhaps no remedy will be found until a drastic change in democratic machinery is obtained, by means of which the popular will on subjects differing in kind is enabled to express itself in two Legislative Assemblies dealing with "political" and with "economic and social" matters respectively. Such a "functional differentiation" of Parliament—in contrast with the "geographical differentiation" aimed at by the Devolutionists, is described in a recent work.¹

¹ *A Constitution for the Socialist Commonwealth of Great Britain*, by Sidney and Beatrice Webb (Longmans, Green & Co., 1920).

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INDEX

- Aberdare, High Education Rate in, 75.
 Aberdeen Parish Council, Grants to, 57.
 Agricultural Land, Decrease in Burdens on, 12, 13, 14.
 Agricultural Rates Act, 1896, 28 ; Grants under, may be revised, 85-7.
 Aid Grant (Education), 68-71, 73-4, 78-9.
 Anglesea Union, Grants to, 42.
 Annual Grant (Education), 68-9, 73-4, 78-9.
 Ashley, Percy, cited, 4.
 Assigned Revenues, Preferred by Lord Goschen, 28 ; Inadvisability of, 87-9.
 Aston, High Education Rate in, 75.
 Asylums, Increase of Lunatics in, 43 ; in Ireland unconnected with Poor Law, 63.
 Attendance, School, Grants on, 68-9, 73-4, 78-9.
 Audit, Necessity for Uniform, 113.
 Austria, Local Government in, 4.
 Autonomy, the Anarchy of Local, 4, 5, 6 ; Danger to Local, in Classification of Services, 92-4.
- Balfour of Burleigh, Lord, Statements by, cited, 1, 17, 21, 22, 23, 26, 55, 65, 85, 87, 108, 113.
 Barra, 57.
 Barrow, Growth of Rates and Rental Value in, 11 ; Small Number of Aged in, 16.
 Barry, High Education Rate in, 75.
 Barvas, 55 ; High Rates in, 57.
 Bedfordshire, Fall of Rates in, 13.
 Bedwellty Union, Grants to, 42.
 Belford Union, Grants to, 42.
 Belgium, Local Government in, 4.
 Belmullet Union, 64, 65.
 Belper, Lord, 100.
 Beneficial Services, 90-2.
 Berwick Bridge, Grant for, 38.
 Bethnal Green, Grants to, 49.
 Bibliography, 121-140.
- Bilston, High Education Rate in, 74.
 Blantyre, 57.
 Blind Children's Schools, Grants for, 71.
 Bootle Union, Grants to, 42.
 Buckinghamshire, Fall of Rates in, 13.
 Bureaucratic System, 4, 5, 6 ; Classification of Services tends to, 92-4.
 Burslem, High Education Rate in, 75.
 Bury St. Edmunds Union, Grants to, 42.
 Bute, Marquis of, 11.
- Caherciveen Union, 64.
Cambridge Modern History, cited, 5.
 Canada, Local Government in, 5.
 Cannan, Professor E., 12, 39.
 Cardiff, Growth of Rates and Rental Value in, 11.
 Carlisle, High Education Rate in, 75.
 Carmarthenshire, Fall of Rates in, 12.
 Carnarvon Union, Grants to, 42.
 Caxton and Arrington Union, Grants to, 42.
 Celbridge Union, 63, 64.
 Census, Quinquennial, essential, 117-7.
 Central Control, Grants in Aid as Promoting, 18 ; Method of Securing, 94-116.
 Chapman, Sir Arthur, 100.
 Chesterfield, High Education Rate in, 75.
 Children Act of 1908, 2, 24, 76, 99.
 Children in Poor Law Schools in London Unions, 50, 60 ; in Poor-houses in Scotland, 60 ; in Work-houses in London, 60.
 Church Rate, 12.
 City of London Police Force, 20.
 City of London Union, Grants to, 49.
 Classification of Services, Inapplicability of, as Principle, 89-94.

- Clifden Union, 64.
 Coatbridge, 56.
 Constabulary, Act of 1856, Establishing, 2, 19.
 Cookery, Grants for, 71.
 "County Basis," 117.
 County Councils Association, Proposal to take over Poor Law Work, 100.
 Craik, Sir H., cited, 67.
 Croom Union, 63, 64.

Daily News Year Book, 27.
 Dairy Work, Grants for, 71.
 Dalziel, 56.
 Davy, J., Chief Poor Law Inspector, L.G.B., quoted, 46.
 Deaf Children's Schools, Grants for, 71.
 Defective Children's Schools, Grants for, 71.
 Delvin Union, 63, 64.
 Development Commission, 100.
 Devolution, futility of, 120.
 Devonshire, Duke of, 11.
 Dingle Union, 65.
 Disraeli, B., afterwards Earl of Beaconsfield, 10.
 Distress Committee Grants, 37.
 Dudley, Cost of Education in, 75.
 Dunfanaghy Union, 63, 64.
 Dunshaughlin Union, 63.
 Dunsyre Parish, No Rates Levied in, 57.
 Durham, Cost of Education in, 74.

 Eastbourne, Growth of Rates and Rental Value in, 11.
 East Ham, Cost of Education in, 75.
 Ebbw Vale, High Education Rate in, 75.
 Edinburgh School Board, Economical Method of Payments to, 80.
 Edmonton, High Education Rate in, 75.
 Education Grants, Reason for, 17; Amount of, 34-6; Description of, 67-79; Methods of Payment of, 79-80; Proposed Reform of, 99, 104.
 Efficiency, Certificate of, required, 113.
 Epileptic Children's Schools, Grants for, 71.
 Equalization Fund in London, 39.
 Ettrick, 55, 56.

 Farrer, Lord, 8, 10.
 Fee Grant (Education), 67, 68, 69, 72, 77.
 Feeble-minded, Royal Commission on Care and Control of, Report of, 46, 99-100.
 Fen Country, 90.
 Fixed Aggregate of Grant compatible with variation according to efficiency, 96.
 Fordingbridge Union, Grants to, 42.
 Fowler, Rt. Hon. H. H., Statements by, cited, 1, 13.
 France, Local Government in, 4, 6.
 Fylde Union, Grants to, 42.

 Garstang Union, Grants to, 42.
 George, Rt. Hon. D. Lloyd, 83.
 General Board of Lunacy (Scotland) 58.
 General Consolidated Order of 1847, 102.
 Germany, Local Government in, 4, 6.
 Gladstone, Rt. Hon. W. E., 9.
 Glasgow, Growth of Rates in, 11.
 Glasgow Parish Council, 56.
 Glendevon, 56.
 Glenties Union, 63, 64.
 Goodnow, Frank J., Works by, cited, 4, 20.
 Goschen, G. J. (afterwards Viscount), cited, 1, 10, 27, 87.
 Grants in Aid, Definition of, 6; Rate of Growth of, 7; Effect of, on Rates, 9; the Fourfold Case for, 15-24; Effect of, on the Police, 19-20; Permanence of, 25-26; Extent and Variety of, 27-39; to Poor Law Authorities, 40-61; Effect in Encouraging Indoor Relief in London, 50; Effect in Discouragement of Charges on Relations, 51.
 Great Yarmouth Union, Grants to, 42.
 Grice, Dr. J. Watson, cited, 1, 4, 7, 19, 20, 92, 121.
 Grimsby, Growth of Rates in, 11.
 Guardians, Boards of, Independence of, 46-7; Proposed Relief of, 101-3; Cessation of Grants to, 105.

 Halifax, High Education Rate in, 75.
 Hamilton, Sir Edward, cited, 1, 7, 20, 25, 64, 85, 108.

- Hammersmith Union, Grants to, 49, 50.
- Hampstead, Relatively Low Cost of Administration in, 16; Grants to, 50.
- Handicraft, Grants for, 71.
- Handsworth, High Education Rate in, 75.
- Hartlepool, West, Growth of, 11.
- Hastings, Cost of Education in, 75.
- Health Grant, Importance of, 101-6; Proposed Conditions of, 109-12.
- Hebrides, Rates in, 39.
- Herefordshire, Low Education Rate in, 75.
- Higher Elementary Schools, Grants for, 170.
- Highway Rate, 90.
- Home Office Influence on Provincial Police, 19; and Lunacy Grant, 46.
- Hornsey, Cost of Education in, 75.
- Hospitals of M.A.B., 48.
- Household Management, Grants for, 71.
- Industrial and Reformatory School Grants, 27, 28, 36-7, 71.
- Industrial Democracy*, by S. and B. Webb, cited, 23.
- Inequality of Local Burdens, as Argument for Grants in Aid, 15; of Aid afforded by Poor Law Grants, 41, 49; ditto in Scotland, 55-7; ditto in Ireland, 63-4; Inequality of Education Rate, 73-4.
- Infants at School, Grants for, 68.
- Ireland, Poor Law Grants in, 60-6; Lunatics in, 62.
- Japan, Local Government in, 4.
- Kent, Fall of Rates in, 13.
- Kettering, High Education Rate in, 75.
- Kilmallock Union, 64.
- King's Lynn Union, Grants to, 42.
- Kirkintilloch, 57.
- Lancaster Union, Grants to, 42.
- Land, Burdens on, 10; Great Fall in, 12, 13.
- Laundrywork, Grants for, 71.
- Leith Parish Council, 56.
- Leonard, Miss E. M., cited, 5.
- Little Pedlington, 18-19, 24.
- Liverpool, Rise of Rates in, 11; Costly Method of Payments of Education Grants to, 80.
- Local Administration, Excessive Cost of, 93.
- Local Government Board (Ireland) Act, 1898, 62, 85.
- Local Government Board (Ireland) Act, 1902, 62.
- Local Government Organization, Growth of, 3.
- Local Government Board and Lunatics, 45-6; and Children in Workhouses, 45; and Administration of the Metropolitan Common Poor Fund, 52.
- Local Government Board for Scotland, Report of, 57.
- Local Government Board for Ireland, 65-66.
- Local Services Defined as those Increasing Value of Real Estate, 91.
- Local Taxation Account, 27, 29, 59.
- Local Taxation, Royal Commission of, Report for England cited, 1, 10, 14, 20, 21, 25, 43, 85, 87, 88, 91, 106.
- Local Taxation, Royal Commission on, Report for Scotland, cited, 1, 17, 55, 106, 108.
- Local Taxation, Royal Commission on, Report for Ireland, cited, 1, 65, 87.
- Lochs, High Rates in, 57.
- London, Growth in Rental Value and Rates in, 11; High Cost of Education in, 75; Costly Method of Payment of Education Grants for, 80.
- London Statistics*, cited, 39.
- Longtown Union, Grants to, 42.
- Lopes, Sir Massey, 10.
- Lunacy Commissioners (England), 46.
- Lunacy Grant, Effects of, 43-5; in Scotland, 57.
- Lunatics in Asylums, 43; in Workhouses, 44; in Scotland, 57; Boarded-out, 57; in Ireland, 62.
- Mandamus, Inefficiency of Procedure by, 18.
- Manor and the Borough, The*, by S. and B. Webb, cited, 38, 90.
- Medical Relief Grant (Scotland) 53, 54, 58, 58, 95, 96, 98.

- Medical Grant (Ireland), 62, 65, 66,
Memorandum and Tables on Education Grants (L.C.C.), 67.
Merthyr Tydvil, High Education Rate in, 75.
Metropolitan Asylums Board, 47-9.
Metropolitan Common Poor Fund, 47-8, 52.
Middlesex, Cost of Education in, 75.
Mildenhall Union, Grants to, 42.
Mile End Old Town, Grants to, 50.
Milk Clinics, Proposed Grant towards, 106.
Mill, John Stuart, cited, 5, 21.
Monmouthshire, Fall of Rates in, 12.
Murray, Sir George, cited, 1, 20, 25, 65, 85, 106.
- National Minimum, Means of Enforcing, 23; Failure to Enforce with regard to Public Health or Child Nurture, 24, 25; Enforced as to Police, 25; as to Education, 76; How to Enforce Generally, 103-16; Need for Securing, 103-16.
National Services, Inapplicability of this Conception, 89-94.
Navan Union, 64.
Necessary Basis of Society, The, by S. Webb, cited, 23.
Necessitous Schools Grant, 72.
Northumberland, Duke of, 100.
Norwich, High Education Rate in, 75.
Nurses, Workhouse, in Ireland, Grant for, 62.
- "Obligatory" Services, 89-94.
Old Age Pensions Act, 1909, 17, 100.
Oldham, High Education Rate in, 74.
Old Monkland, 56.
"Onerous" Services, 89-94.
Oughterard Union, 63.
Owen, Sir Hugh, 52.
- Paddington, Grants to, 49.
Parish and the County, The, by S. and B. Webb, cited, 12, 90.
Peel, Sir Robert, 7.
Pell, Albert, 10.
Pembrokeshire, Fall of Rates in, 12.
Plymouth, Earl of, 11.
Police Grants, History of, 19, 98.
Police Rate, 90.
- Polwarth, 56.
Pontypridd, High Education Rate in, 75.
Poor Laws, Royal Commission on, Report of, cited, 18, 40, 41, 42, 49, 52, 63, 65.
Poor Law Grants, 40-66; Proposed Cessation of, 101-3.
Poor Rate, Decrease in, 12.
Poor Relief, The Early History of, cited, 5.
Poor Law Reform in Ireland, Vice-Regal Commission of 1906, 64, 65.
Poor Law Schools, Teachers in, Grants for, 73, 95.
Poplar Union, Grants to, 49, 50.
Prevention of Destitution Bill, 1910, 109.
Principle, Plea for, Grants in Aid, 84.
Public Health Acts, Proposed Grant for Administration of, 101-3.
- Radnor, Education Grants in, 70.
Rates, Fall of, since 1803 and 1826, 12.
Rates, Effect of Grants in Aid on, 9, 38, 39, 41-9, 55-7, 63-4.
Regional Parliaments no solution, 120.
Relations, Contributions from, 45.
Risborough Union, Grants to, 42.
Roads, Maintenance of, 100.
Romney Marsh, 90.
- St. Aldwyn, Viscount, 10, 100.
St. George's, Hanover Square, Grants to, 49.
St. George's-in-the-East, Grants to, 49, 50.
St. Pancras, Grants to, 49.
St. Saviour's, Southwark, Grants to, 49.
School Fees, Grants Discouraging, 68.
Schoolmasters, Workhouse, in Ireland, Grant for, 62.
"Schools for Mothers," Proposed Grant towards, 101, 106.
Silly Isles, Education Rate in, 74.
Sewers Rate, 90.
Shuttleworth, Kay, Work by, cited, 67.
Small Population Grant (Education), 69, 70.
Socialism and National Minimum, by B. Webb, cited, p. 23.

- Special Subjects (Education), Grants for, 71.
- Staffordshire, Cost of Education in, 75.
- Standard Average Health Rate, 110.
- Stepney Union, Grants to, 49.
- Stranraer, 56.
- Swineford Union, 63.
- Surrey, Cost of Education in, 75.
- Sussex, Fall of Rates in, 12.
- Teachers' Salaries, Grant towards, 46, 62, 65, 66.
- Temple (Midlothian), 55.
- Tottenham, High Education Rate in, 75.
- Trim Union, 64.
- Tyne Commissioners Police Force, 20.
- Unearned Increment of Urban Land, 10.
- Unemployed Workmen Act of 1905, 37.
- United States, Local Government in, 4, 5, 6.
- Universities and University Colleges, Grants for, 73, 104.
- Valuation, as a Basis for Grants in Aid, 17; Uniformity in Essential, 116-7.
- Wandsworth Union, Grants to, 49.
- West Ham, Growth of Rates in, 11; Abnormal Expense of Administration in, 16; Special Education Grant for, 72; High Cost of Education in, 75.
- West Hartlepool, High Education Rate in, 75.
- Westminster Union, Grants to, 49.
- "Whisky Money," 72.
- Wolverhampton, High Education Rate in, 75.

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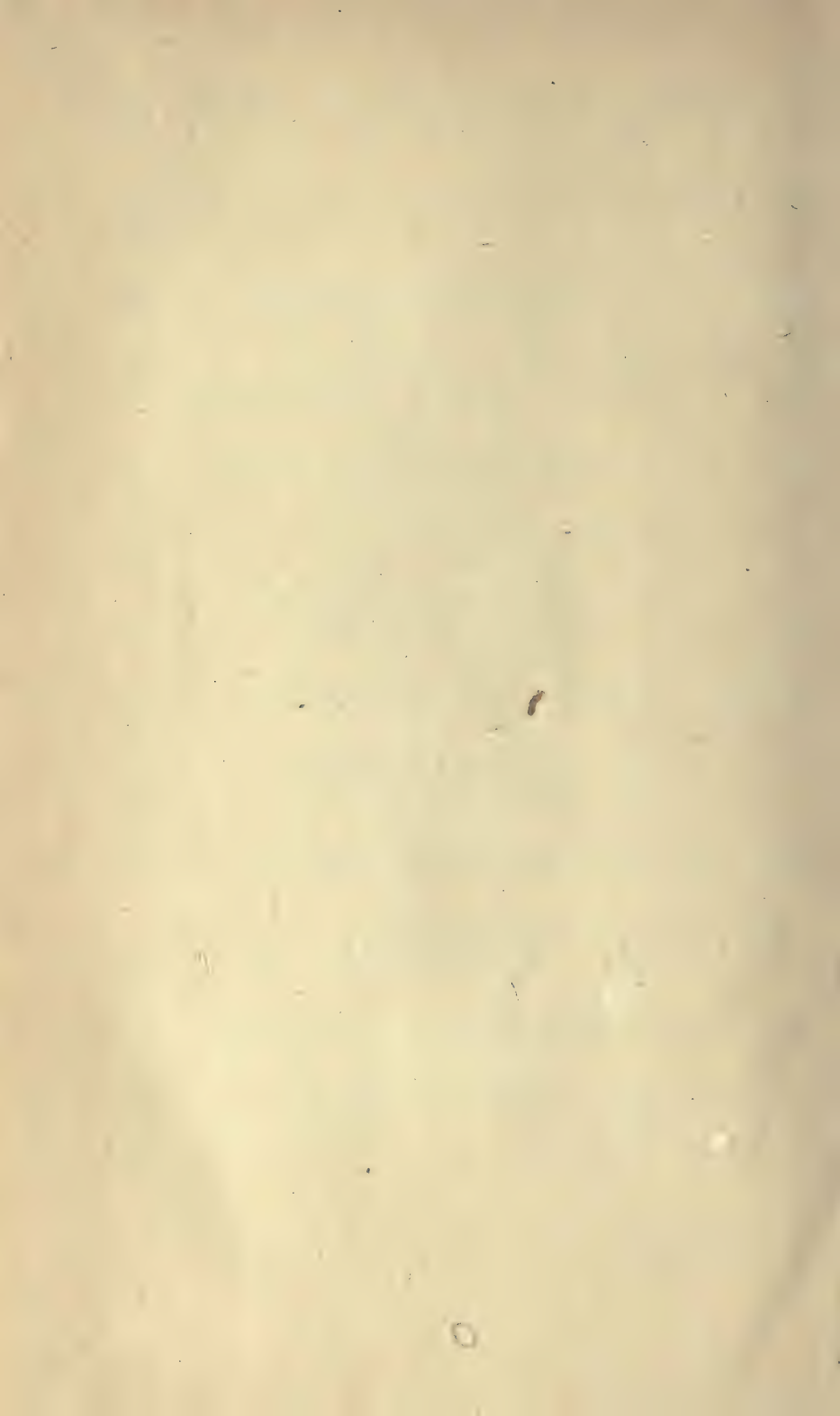
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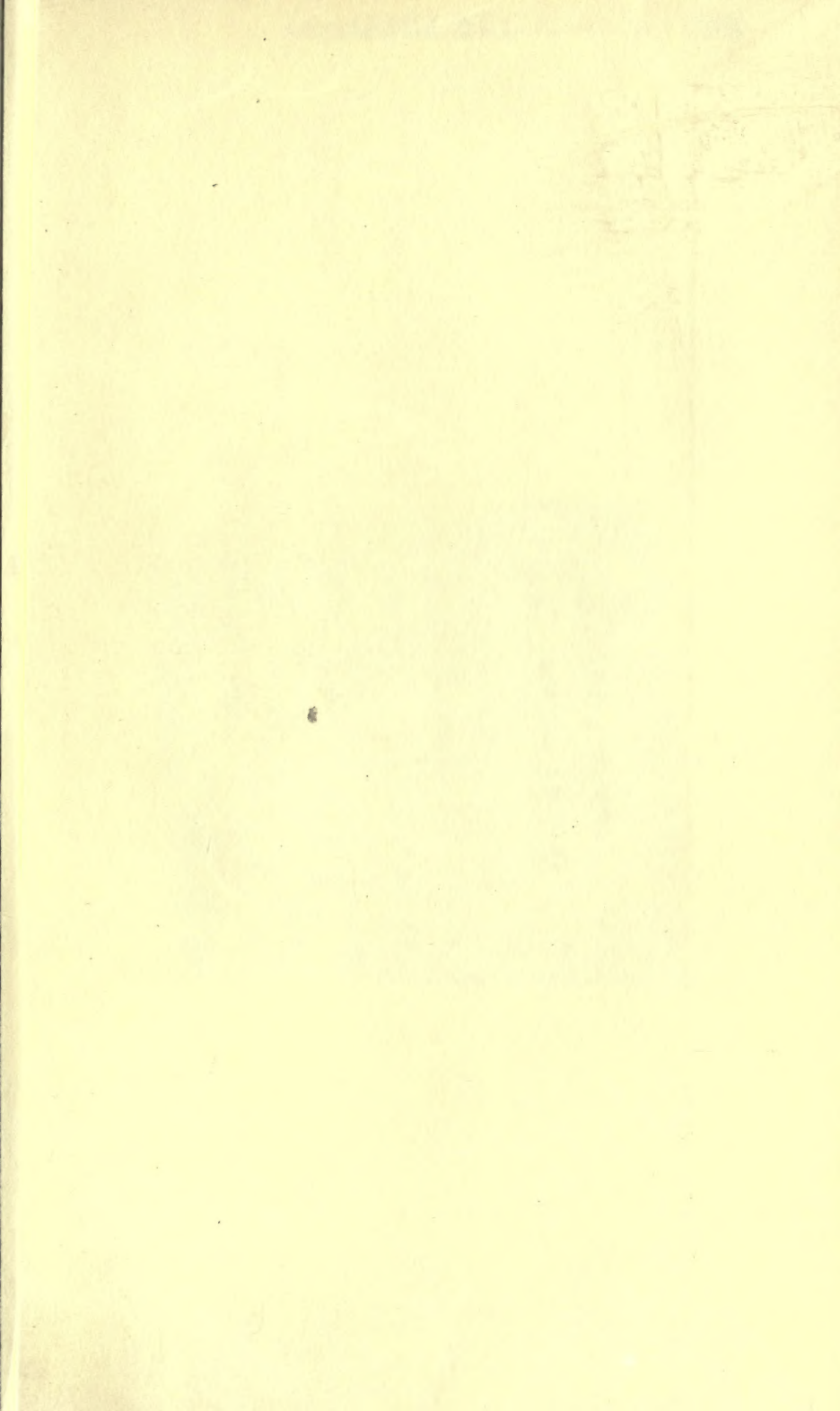
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